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and BUSINESS ANALYST

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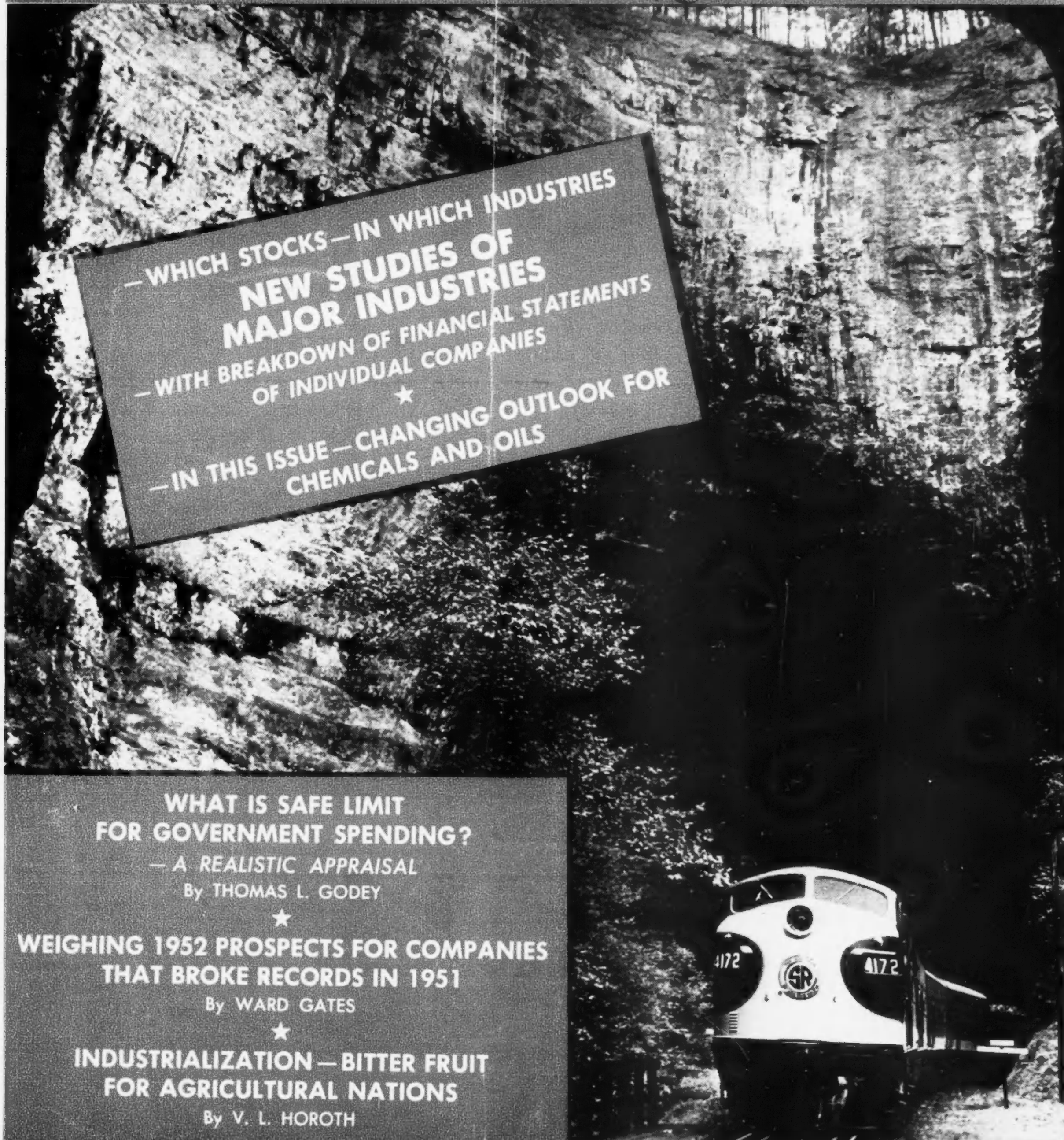

—WHICH STOCKS—IN WHICH INDUSTRIES

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—WITH BREAKDOWN OF FINANCIAL STATEMENTS OF INDIVIDUAL COMPANIES

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INDUSTRIALIZATION—BITTER FRUIT FOR AGRICULTURAL NATIONS

By V. L. HOROTH

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Cover Photo by Southern Railway

Cover picture shows a diesel-powered Southern Railway train emerging from the famous Natural Tunnel on the road's Appalachia division in Virginia.

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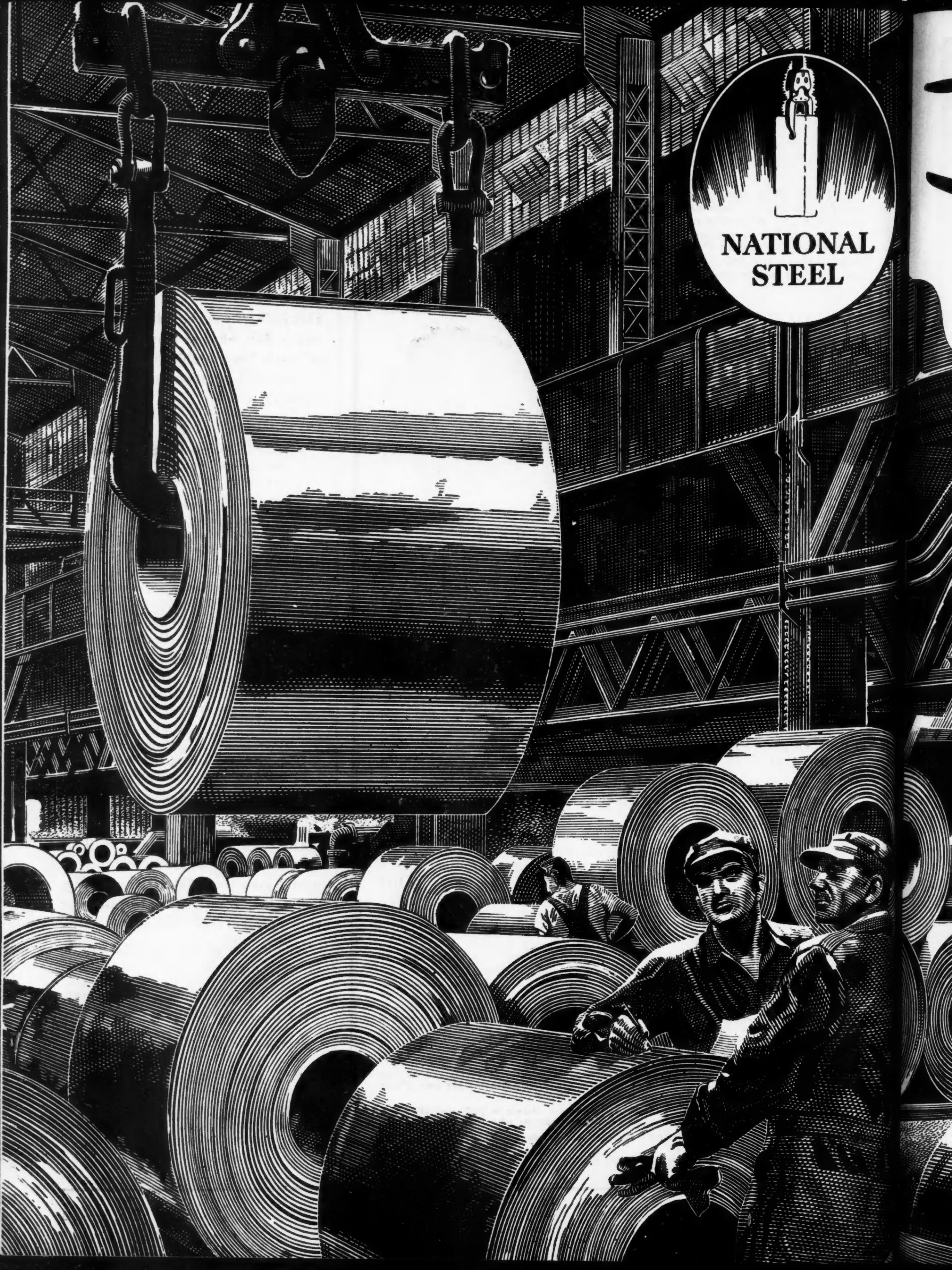
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STEEL

This is National Steel

A major source for the four billion tin cans America uses each year

It's a practical certainty that you have cans in your cupboard that are made of tin plate from National Steel, the world's largest independent producer of tin mill products.

National Steel has achieved a tremendous tin plate production volume through its Weirton Steel Company division, which operates the largest and fastest electrolytic lines in the steel industry. This National Steel division did much of the pioneer work in developing the electrolytic process which has revolutionized the production of tin plate. Recently, it originated a new method of utilizing these modern electro-plating facilities to effect savings of as much as 50% in scarce and precious tin.

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SERVING AMERICA BY SERVING AMERICAN INDUSTRY

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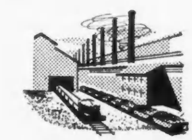

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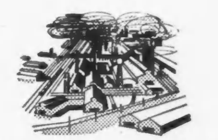

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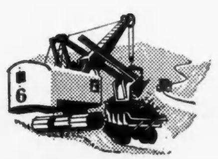

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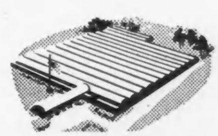

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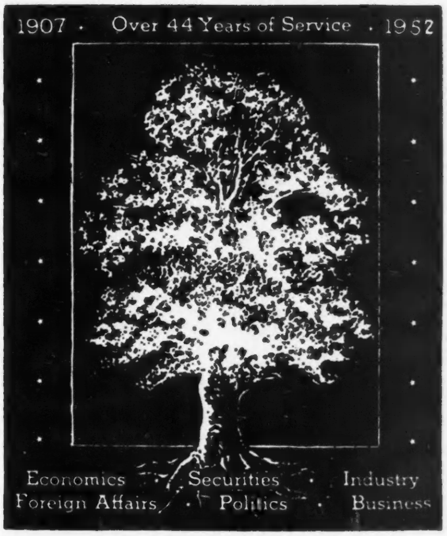
Houston, Texas. Warehouse and distribution facilities for steel products in the Southwest.


MAGIC WAITED -
for a thousand years
The crystal-gazer of old could never have seen in a drop of oil the miracles wrought by the chemist of today.
WE KNOW today the magic that he missed. It speeds our planes over land and sea; powers the warship, liner, barge, and tug; sends streamlined trains coursing over smooth steel rails, and fills the highways with millions of buses, trucks, and automobiles. It fuels and lubricates the machinery of farm, home, and industry, easing our labors and multiplying our productive capacities. It warms our houses. It paves our streets. It is in the ingredients of more than two thousand articles of comfort and convenience, from cosmetics to powerful explosives, from velvets to vitamins.
Like the ancient mystic, we are prone to accept petroleum as we do the light of day, or the air we breathe. Unlike him, we were not content with blessings found ready-made, floating on the surface of an oil spring. It has taken generations of effort, the investment of billions of dollars, risked from the savings of a million men and women, and the highest skills of modern chemical and engineering science to produce them. The job could not have been done at all except for the pioneering spirit native to America, and a system of free competition which inspires the inventor, encourages the investor, rewards efficiency, and keeps forever alive the driving urge for progress.
CITIES SERVICE

THE MAGAZINE OF WALL STREET

C. G. Wyckoff, *Editor-Publisher*



The Trend of Events

THE STEEL SEIZURE . . . The President's seizure of the steel mills is a clear usurpation of power and is a very large step, indeed, to a not so subtle dictatorship. Leaving aside consideration of the very dubious legal sanctions with which the President arbitrarily clothed himself, there is no doubt that he has exposed himself to the charge that he has been acting in concert with the C.I.O. in behalf of the latter's interest and, in the final analysis, in violation of the best interests of the nation. Certainly, he has taken a highly biased position in favor of the union.

One of the most serious results of the Executive's directive is that it is a grave threat to our free enterprise system, as we know it. Under Mr. Truman's instructions to the Secretary of Commerce, who has taken over the mills, the latter is empowered to take all measures necessary, including, if deemed essential, such hitherto inviolable prerogatives of free enterprise as the power to declare dividends and the satisfaction of contractual obligations in payment of interest on indebtedness. This is an unheard of power in a society such as ours and, unless immediately checked, could destroy the foundations of our government. That it should create grave concern among the investors of the nation is an inescapable corollary.

The President's act is clearly not that of the leader of a free society but that which we have learned to associate with totalitarian governments. The morality of the act may further be questioned since the Senate, in extending the President's emergency powers until June 1, added a restriction which in effect attempted to make it certain that he would not be able to invoke these waning powers in a seizure of the steel mills. Knowing full well the Senate's attitude on this question, and that it would not grant him any further powers to seize property except public utilities, he nevertheless went ahead in contravention of the pending legislation, taking advantage of the brief interim to impose his dictatorial decision.

Aside from the harmful effects of his action, the President in offering his reasons for the seizure, gave a highly biased account of the facts involved in the steel wage dispute. He not only furnished a most inaccurate version of recent steel profits but deliberately refrained from stating that these profits were subject to the highest taxes in history.

That the President should be willing to expose himself to the charge of wilful deception in giving his highly tendentious account of steel profits is, to say the least, very disappointing to the American people who have a right to believe that the Chief Executive, regardless of politics, will maintain the reputation of the government at all costs. Unfortunately, what he actually accomplished was to destroy confidence in the integrity of the government and to deal a potentially serious blow to private initiative and the financial stability of our corporations.

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable supplement to Mr. A. T. Miller's stock market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

DISSOLVING A BANKING EMPIRE . . . Recently, the Board

of Governors of the Federal Reserve System rendered a decision which, in effect, ordered the dissolution of the Giannini banking empire. Without going into the enormous ramifications of this epoch-making directive, which represents one of the final phases of a ten-year legal struggle, it is sufficient to say that the objective of the Federal Reserve is first to reach an ultimate and binding definition of monopoly banking, and second to restrict the size and operations of bank holding companies.

The reasons for this move are not difficult to ascertain since the trend to bank mergers in the past decade, which has been on a very large scale, has necessarily cast some doubt on whether or not the extension of branch banking has proceeded at too rapid a pace in view of its monopoly potentiality. Apparently, the Federal Reserve Board thinks that such a point has been reached. However, it seems to us that their position is not realistic, regardless of the technical considerations which have influenced their decision.

Amalgamation of small banks is part of a natural economic process which has been going on for a long time in the banking field. Many of the smaller units, owing to high taxes and the incerasing cost of operation, are unable to operate at a reasonable profit. Under the circumstances, they are inevitably drawn into the orbit of the large chains through mergers. Without such a solution of their problems, many of them probably would have to liquidate. This in turn would deprive many communities of needed banking service.

It is in this respect that the large chains perform a useful function since they can afford to offer service in communities which otherwise would not be able to support it. It may very well be then that in pursuing its objective of limiting banking monopoly the Board may be serving one purpose only to defeat a much more important one—that of seeing to it that the servicing of the network of communities which are in need of adequate and efficient banking service is promoted on the widest possible scale.

EUROPE VIEWS THE CAMPAIGN . . . The discreet silence which European observers exhibit when the American poltical campaign is mentioned does not obscure their very lively interest in the outcome. It is natural that this should be so because American politics in 1952 is a most urgent matter to Europeans.

Whether for good or ill, Western Europe has been drawn into the American orbit, especially since the cold war started. Every nation west of the Elbe and several east of it—Greece, Turkey, Yugoslavia—are now dependent on the United States for military or economic aid, or both. It is, hence, a vital matter to these nations that the assistance policies inaugurated by this Administration be continued. For that reason, even though their leaders will not express themselves openly, the identity of the actual nominees of the two principal parties becomes a subject of prime concern.

Since the views of the principal candidates for nomination on the question of continued aid to Europe are well known abroad, it is logical that Europe should favor those candidates who have expressed a strong desire to see substantial aid continued. Only one of the avowed candidates for nomination is known to be lukewarm on handing out an indefinite number of billions to Europe. That is Senator Taft.

There is some question whether, if he acceded to the Presidency, he might not even advocate the reversal of United States foreign policies. It is for this reason that whenever his name in mentioned as a likely winner of the Republican nomination cold shivers run down the back of European politicians. This may not be doing justice to Senator Taft's actual position. Nevertheless, there is no use blinking that he is the candidate who seems, at this writing, least acceptable to those who have responsible positions in West European governments.

LONG-RANGE INVESTMENT POLICIES . . . A survey has been recently published which analyzes the investment holdings of eight great American foundations, among them the Rockefeller, Carnegie, and Harvard Endowment with about a billion dollars invested. The study is of extraordinary interest to investors generally, since it shows how these huge sums are invested.

Most significant of all is the percentage of common stocks which these foundations hold at the present time, varying from 23% to 75%. Of added interest is that in the past year the ratio of common stock holdings has risen despite the generally high level of stock prices.

Like private individuals, the philanthropic foundations are in need of greater income from their investments, as demands on their resources for purposes of financing scientific research and education generally are constantly growing. To an increasing extent, they apparently find common stocks an acceptable vehicle as a means of meeting their greater requirements. An added factor in their current investment approach is that they find it necessary to protect their capital against the possibility of a further decline in the value of the dollar.

When immensely wealthy foundations such as these, which are manned by some of the most experienced and astute investment managers in the country, find it wise to invest a substantial portion of their capital in common stocks—a class of security they would not have even considered two or three decades ago—it may be taken as a sign that stocks of our strongest corporations have attained genuine investment status. It is a further indication that these foundations have confidence in the longer-range future of this country and the earnings potentials of its industries.

Whether such an approach is suitable for the private investor only he can decide. Unexpected contingencies often arise in life which make it difficult for the individual to adhere to a soundly conceived investment program. For that reason investment problems of the individual are sometimes more difficult to solve than are those of large institutional investors who are in a more ideal position to invest their funds.

INDUSTRIAL CROSS-CURRENTS . . . The March report of the Business Survey Committee of the National Association of Purchasing Agents indicates a peculiar situation in industrial activity. Among the most interesting facts (*Please turn to page* 130)

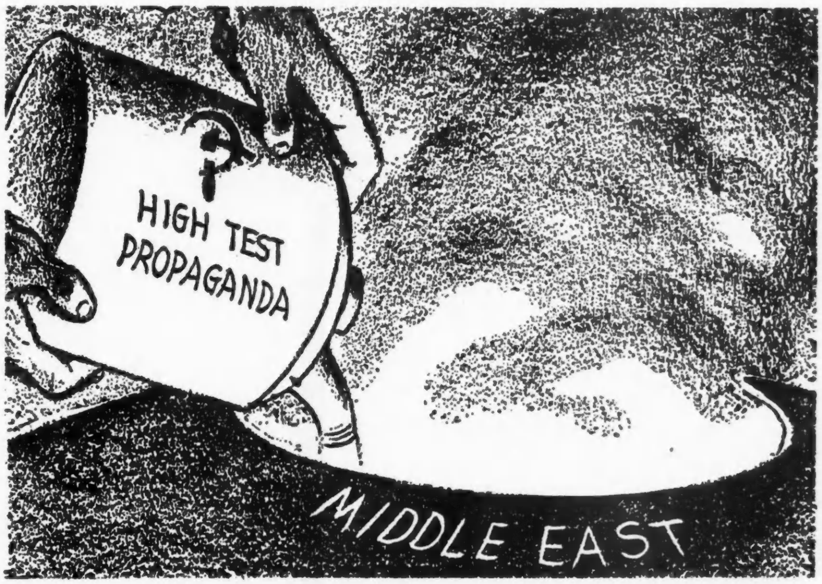
As I See It!

By JOHN CORDELLI

RUSSIA'S LAST CHANCE IN NEAR EAST?

The volcano that is the Moslem World seems to be dormant at the moment. Anti-imperialism, anti-foreignism, nationalist fanaticism, religious intolerance, and other forces that have been unleashed by wars, ignorance, and dire poverty and that are being stirred up by communist propaganda are temporarily under the lid. In Egypt, thanks to the King's intervention, a semblance of order has been restored. The Syrians are doing some healthy thinking about their problems. Iraq, taking an object lesson from what happened in Iran, has ratified an agreement with foreign oil interests which should bring her some $600 million during the next five years.

"BUILDING UP A CONFLAGRATION"



Hesse in The St. Louis Globe-Democrat

But let us not delude ourselves. This may be the lull before the eruption. The French action in Tunisia has added to the bitterness of the Arab World. In Iran, the Treasury is empty and the communists are gaining converts, not only among the peasantry but among the underpaid, dissatisfied soldiers and minor officials as well. The sharp drop in cotton prices has yet to be felt by Egypt's fellahin. The tinder is there, and the spark that could set it off any time may be supplied not by the communists but by the Moslem world.

The tragedy is that in any kind of outburst against the West, the Mid-Eastern peoples are bound to ally themselves unwittingly with communism. The tragedy is that the great bulk of the people of the Middle East remain largely unmoved by the picture of communist danger painted for them by our propaganda. An American journalist returned recently from the Middle East, depicts this propaganda as an inept mixture of condescension toward the Arabic people and of extolling our production of automobiles, refrigerators and other products of modern living which the masses of Mid-Eastern peoples know nothing about and resent. Communist propaganda, concentrating on welfare and a piece of bread on his plate, the Arab can understand.

Meanwhile we are bemoaning the dilemma that confronts us. We are blaming the sad fact that we are damned if we do and damned if we don't. Last week Associate Justice William O. Douglas of the Supreme Court proposed at the National Conference on International Economic and Social Development that we should fight fire with fire. He wants us to promote peasant revolutions in the undeveloped areas of the Middle East to end economic serfdom. According to Justice Douglas, we are apparently taxing ourselves and distributing money as the Point Four aid only to underwrite the status quo and to perpetuate the conditions under which communism grows. What a joke! The Point Four from which so much is expected, is apparently making the rich relatively richer and those in authority more despotic in their rule. It would seem that when the peasants rise, they will rise against the outside backers of their leaders as well as against the leaders themselves.

But the alternative seems just as desperate. We are told by students of the Arab world that, whether we like it or not, our best allies in the vast Middle East are strong men, even if they are corrupt or subject to internal stresses of their uneasy countries. But what assurance is there that these strong men would know how to encourage an economic transformation in their countries that would bring more bread to their subjects? *(Please turn to page* 134)

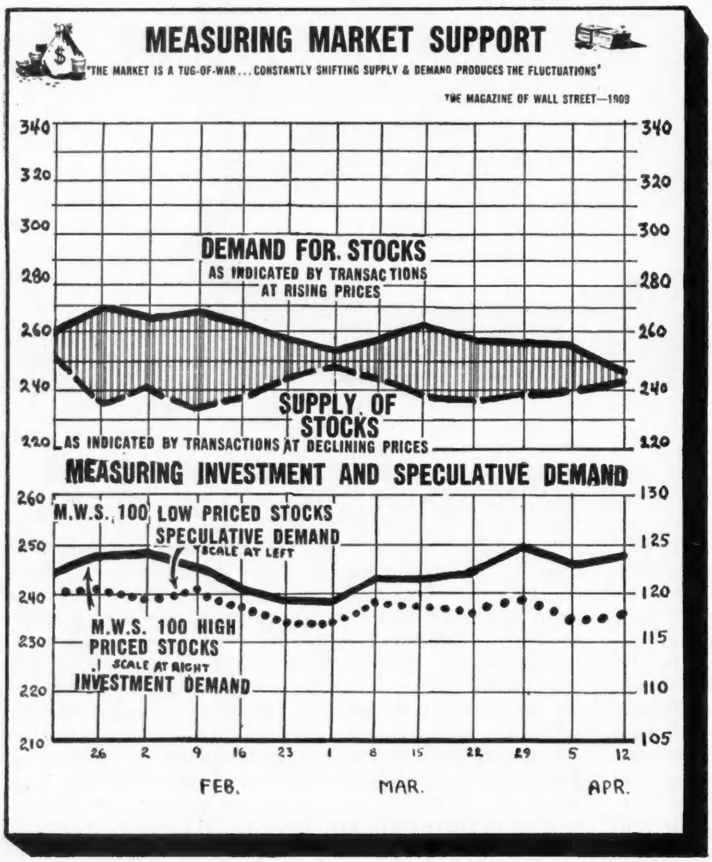
Truman's Stand Shadows Market

Having reacted moderately for some days prior to it, the market took the high-handed seizure of the steel industry in stride, even rallying a little after the news was out. No basis for wide moves, either way, in the averages, is presently apparent. Allowing for later deflationary adjustments, our policy remains conservative and selective.

By A. T. MILLER

With attention focused on the issue of steel wages and prices, and the Truman Administration's blatantly partisan and arbitrary handling of it, the market worked moderately lower over the last fortnight. The damage to stock prices was done in six sessions of decline through Monday, April 7, taking the industrial average down about 6 points from its March 31 recovery high. The initial market response to the President's seizure of the steel industry was apathetic, and a small rally developed toward the week-end.

What second-thought reaction will be remains to be seen. Certainly there is good reason for hesitation. The Truman action settled nothing except avoidance of the steel strike, and raised new questions which have obviously grave implications on basic principle. As a practical matter, however, there are some modifying considerations which should make it less frightening to investors than it otherwise might have been.



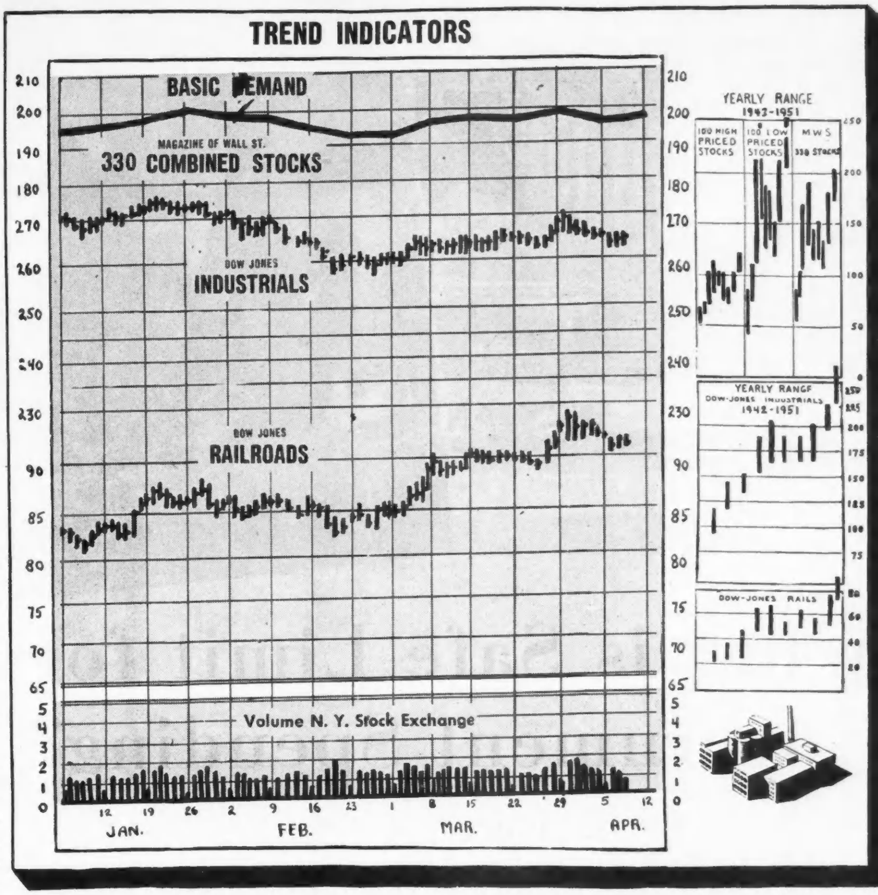
The New Deal created our national labor-union monopolies, which have become fully as ruthless and as indifferent to the public interest as were any malefactors of great wealth of olden days, and even more powerful. Regardless of varying details, the Truman Administration, even more than the Roosevelt Administration, has from the start played ball with the bosses of organized labor. The steel mess is simply another chapter in a long story. Present indications suggest the hope that it may be the concluding chapter. Truman is now running merely a caretaker Administration, with only some nine more months of existence. Its influence over Congress has been reduced close to the vanishing point.

Truman's Power Vanishing

Its power to reshape the American economy is evaporating, regardless of whether the pattern set for steel wages and prices affects some other industries for a portion of 1952. It cannot spread to many, for in most the existing supply-demand factors argue too strongly against either exorbitant wage boosts or any boosts in end-product prices. It is very doubtful that Truman will have the opportunity or the effrontery to seize any other industries; and as to his power to do so both the courts and Congress may have something to say. Congress may or may not extend price-wage control beyond the June 30 expiration date of the Defense Production Act. It it does, it probably will be with significant modifications.

There is every reason to think that

the next Administration, whether republican or democratic, will of necessity chart a markedly different course in many respects. Of the candidates now prominently in the running in both parties, none figures to be labor's man to anything like the degree Truman has been, if at all. This business of wages endlessly running ahead of gains in output per man-hour must inevitably be stopped. It has been abetted not only by political favoritism, but by years of abnormally high business activity and full employment, which will not continue indefinitely. As of today, it does not look like a good bet that either economic conditions or political factors will favor wage-price kiting during much, if any, of the four-year term of the Administration which which takes over the reins next January.



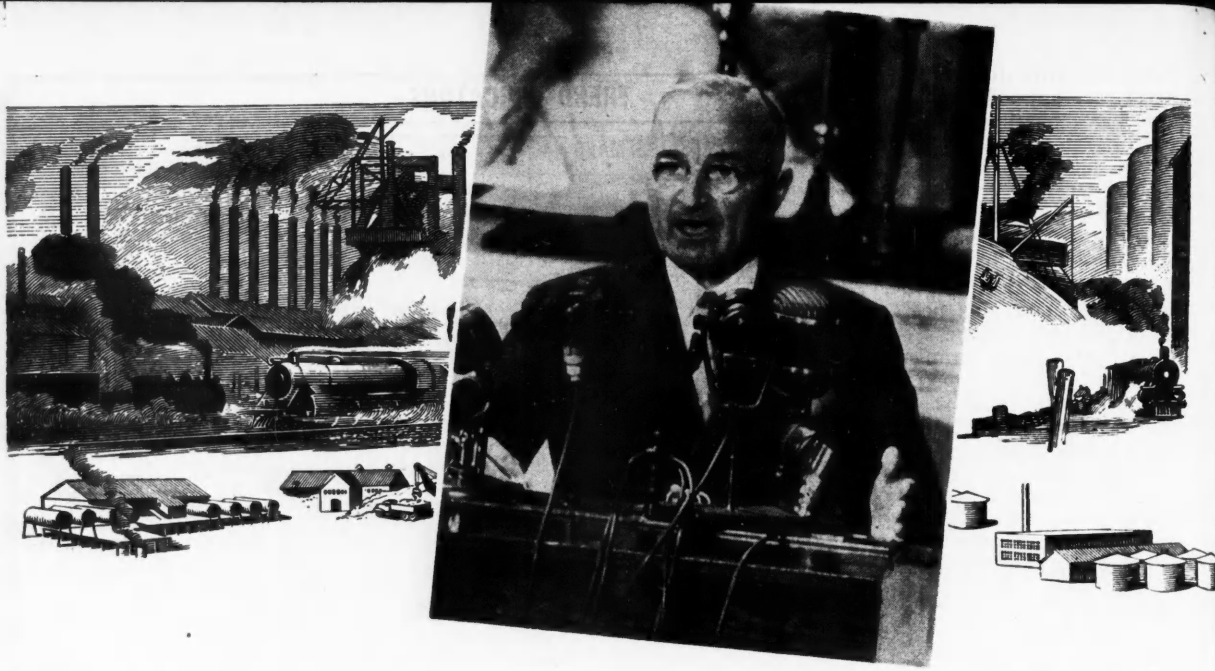
Steel profits, down 20% or so from the 1950 peak last year, would have been somewhat lower again this year in any event. They will now be moderately lower than had been expected, as a result of whatever wage boost is effected and of the limitation of price relief to about $3 a ton. The same goes for other industries which may be affected by a similar wage-price squeeze. The effect on those which will have to pay more for steel, without being able to raise their selling prices, will be relatively slight. The over-all impact on profits could easily be exaggerated. Under present tax rates, steel companies will bear no more than 18% to 30% of the cost of any wage boost, the rest being paid for via reduced tax payments to the Federal Treasury. The same goes for all high-tax-bracket industries.

Under different economic circumstances, the steel pattern would be inflationary. Actually, it is doubtful that it will be to any significant extent, if at all. It will reduce the Treasury's take from corporate profits, but that will be partly compensated by higher income-tax collections resulting from higher wages. It could somewhat increase the deficit for the 1953 year—but the House voted this week to cut the Defense Department's budgeted fiscal 1953 funds by $4.7 billion; and, more important, for a flat limit of $46 billion on its spending, a cut of $5 billion from the Department's planned outlays. The Senate may or may not go along with this; but it shows the way the wind is blowing. It reflects waning fear of global war, growing suspicion that defense needs have been exaggerated, and rising Congressional disgust with military waste and extravagances. The deficit in almost any even will be considerably less than the more than $14 billion projected by Mr. Truman; and might be greatly less.

Consumers Resist Further Inflation

As regards spending and saving, general consumer psychology remains anti-inflationary. Business inventory policy remains on the cautious side, with buying generally limited to normal and fill-in needs. Outlays for new plant and equipment, a major prop to economic activity, continue around peak levels; but appear likely to top out not later than the fourth quarter, and perhaps in the third. In basic commodities there is a world-wide trend of price deflation, although it is so far fairly moderate.

The defense planners continue to talk emergency and possible danger of global war but reflect something less than a real sense of urgency in their own actions. They are still making endless design changes; and they show more interest in tomorrow's weapons, and the producing capacity to make them, than in accumulating arms. Hence, the rise in defense spending is proceeding at a relatively slow rate. Considering the projected peak annual rate of spending for 1953-1954, in relation to the gross national product, it will not dominate the economy to the degree originally forecast by Washington officialdom; and it will not necessarily preclude the start of deflationary economic adjustment before peak arms-outlay rate is reached. When one notes the present mood of *(Please turn to page 134)*



What is Safe Limit for Government Spending?

By THOMAS L. GODEY

America, living for years in a fool's paradise, is finally commencing to ask itself the question: How high can government expenditures be pushed without seriously impairing our financial-economic structure? Surely no question, aside from peace and war itself, can be of greater significance to the American people.

Inability of the human mind to comprehend the astronomical levels of Federal indebtedness and contemplated expenditures undoubtedly accounts in part for the apathy on these subjects shown by most business men. Washington, hitherto virtually unchecked by the electorate, has become accustomed to toss billions of dollars around where it used to toss millions. Only recently, a government official—testifying before a Congressional committee—referred to $6.5 billion as a small amount of money. Only too obviously, all sense of values has been lost in dealing with money—your money and mine.

We have, unquestionably, permitted our very natural fear and dislike of Communism to embark us on a defense-spending program of almost incredible magnitude, without questioning too much the degree of the danger and whether or not a fraction of the amount being spent for defense might not be sufficient. Seemingly, we refuse to evaluate the significance of the continuing encroachment of the Government upon our economic life—under the guise of a national emergency that may endure for the rest of our lives if we permit it—even though the ultimate outcome might well be the development of a State as totalitarian as that ruled by the Kremlin.

For the fiscal year 1953, proposed Federal expenditures are $85.4 billion. Only twice, during World War II, was this figure exceeded. Local and State government, taking its cue from Washington, has been upping its spending steadily. Total government spending, Federal, State, and local, in the fiscal year 1953 will approximate $105 billion or about 35 percent of the total national income! This is equivalent to about $700 per person or approximately $2800 for the average American family.

Washington, alhough quite willing to let the Pentagon run wild on its ideas of what is needed for defense, has not been willing to face up to collecting the money needed for guns and planes and tanks. Or of paring down non-defense spending in an effort to bring outgo into line with income. Even though it is declared that high continuing defense expenditures for the fiscal year 1953 exceed estimated revenue by some $14 billion. This must be added to the already huge Federal debt.

Tradition of Enterprise in Peril

The present Federal debt of approximately $260 billion does not represent the limit of the load that can be piled upon us. We are not going to collapse if a few billions more are piled on. But, the debt load already is endangering our economic way of life, the traditional American system of free enterprise. Today, every newborn baby is encumbered at birth with his share of the Federal debt of about $1,700. Forty years ago, on the eve of World War I, each baby was taking on a debt of only $12. Two major wars and now the preparations for a third have put us behind the eight-ball so far that individual enterprise is approaching a state of demoralization. The interest alone on the Federal debt, estimated at $6.3 billion for the fiscal year 1953, is more than five times

the total Federal debt prior to World War I.

The complacency with which the average American business man regards the huge Federal indebtedness and current high rates of taxation is nothing short of remarkable. Few seem to care what tomorrow will bring, although it is only too obvious that the steady encroachment of Government into every walk of business life spells the end of the once dynamic American system of free enterprise. When high taxes kill initiative, there is no other alternative —except eliminating the high taxes—than to permit the Government to take over. That is axiomatic.

During the past 20 years, we have leaped from one emergency to another. Few of us felt that we could quarrel with the concept that Federal help was necessary to mitigate the plight of business men, farmers, home-owners, etc., etc. during the Great Depression. Once started, however, there is no end to Federal help since two factors become involved: (1) the excuse for existence of the ever-growing Washington bureaucracy and (2) the device of utilizing Federal funds to influence perpetuation of the party in power.

Many of us seemingly have benefitted from the use of Federal funds. Few people seem to realize, however that Washington must collect through taxes if it is to spend and that *a dollar never travels to Washington and comes back whole.*

The desire of the administration in power to establish a reputation for generosity, both at home and abroad, and the desire to perpetuate prosperity have rendered it difficult to face up to the onerous task of balancing outgo with income. The result has been an almost steady creeping inflation.

Inflation Effects Liked

Much as many business men may decry deficit Federal financing, they generally like the effects of inflation. By now, in fact, they have a vested interest in its perpetuation.

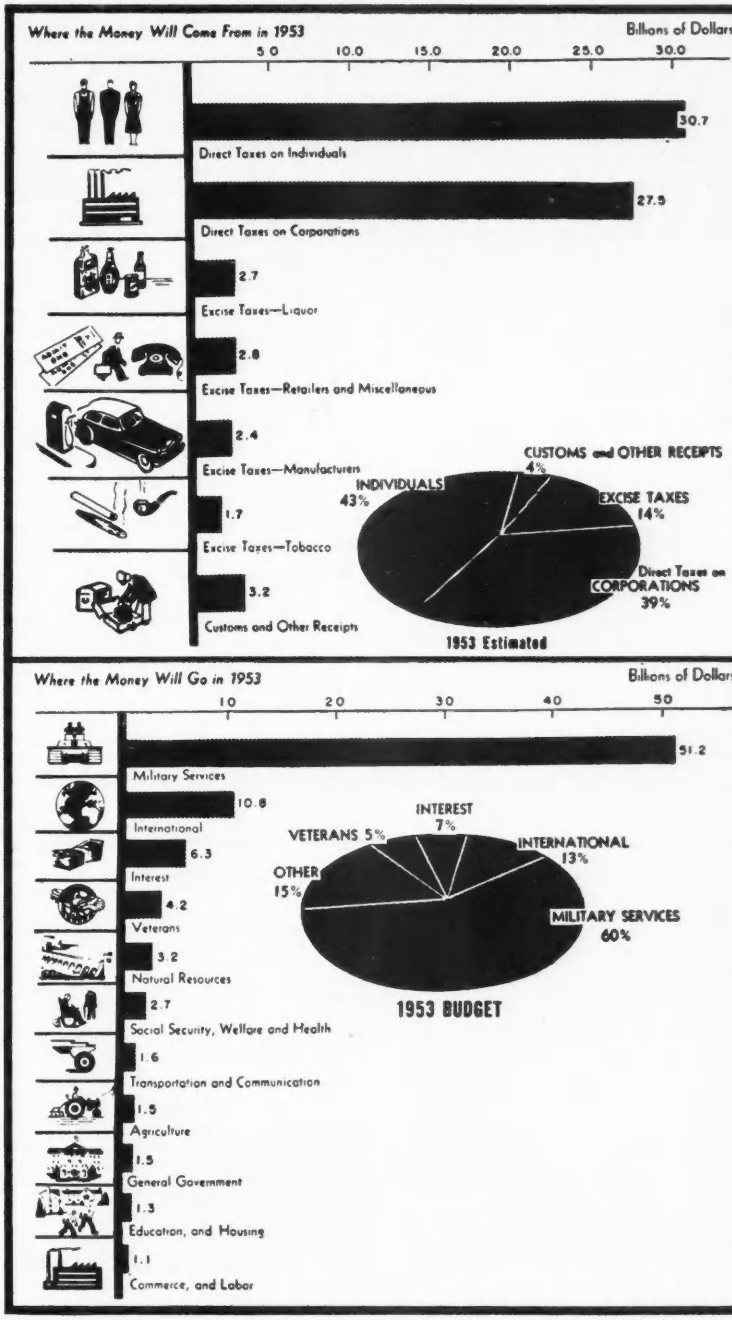
The alternative, deflation, is a little too grim for most business men to consider since deflation and depression have become almost synonymous terms. Undoubtedly, that is one of the reasons why few business men are complaining too bitterly of the huge Federal debt and high taxes. They know that the setup is inherently wrong and that ultimately there must be a day of reckoning. But, they hope for a miracle of some sort to postpone that day indefinitely.

Time and again Washington has come up with a jab of inflation just when it looked as if recession were inevitable. In the early days the methods were a little crude, such as taking on millions of WPA workers a few months before election and dumping them off after the election.

Since the war, there has been much more finesse. It is not possible, for instance, to say that the Marshall Plan or rearmament spending were deliberate shots in the arm. Certainly, however, they have had that effect and it is giving away no secrets to say that the Keynesians, represented by Leon Keyserling and Co., have made the most of them.

It is this type of government official who offers figures boasting of stupendous gains in national income, conveniently ignoring the depreciation which

WHERE THE MONEY COMES FROM—AND WHERE IT GOES



has taken place in the dollar. Hence, when the government mentions the astronomical figure of well over $300 billions annually as the gross national product, even the well-informal may fail to realize that they are talking about a 50 or 55-cent dollar. If seen in their proper prospective, it will be seen that glowing government estimates of national income and wealth conceal the true picture, which is one of erosion of the dollar caused by the basic government policies.

No patriotic citizen can deny that our way of life is menaced by Communism. At the same time, there is more than a suspicion that the bright boys in Washington have been overstressing the menace. Our friends abroad, next door to Russia, are much less excited than we are.

Army's Wisdom Never Questioned

The very fact that the Administration has been willing to accept, almost without question, the word of the Army on the degree of the Russian menace and how much should be spent on weapons is a case in point. Back in the 1920's, when there wasn't a war cloud anywhere on the horizon, the Army was clamoring for UMT and a big army. Then, the generals were laughed at. Now, any one who questions their superior wisdom runs the risk of being labeled a Red.

In a democracy, there can be no sacred cows regardless of whether they come from the Pentagon or the Labor Department. There is no doubt, however, that most Senators and Representatives are overawed by the heavy brass.

Again and again, during the past year or so, we have heard business men stress the necessity of rigid economy in all phases of government spending *except defense spending*. We have arrived at an unhealthy state of affairs in this country when many otherwise intelligent people are willing to accept as sacrosanct the amounts appropriated for defense spending, even though these may have been approved by Congress while in a state of near-hysteria.

We know from experience that the military know little of the value of a dollar. We know that it is traditional for them to buy far in excess of their needs. And, we know that the services are nowhere near so efficient as they would have us believe.

There is evidence that Washington is deliberately manipulating the flow of defense spending in order to stimulate business prior to th fall elections. Adding it all up, one gets the impression that a substantial part of defense spending is designed as a shot in the arm to keep an over-age business boom rolling along.

The Federal budget of $85.4 billion for the fiscal year 1953 is the largest peace-time budget in history, comparing with estimated expenditures of $70.9 billion for the fiscal year 1952. The military services are allotted $51.2 billion and foreign military aid $8.0 billion, leaving a balance of $26.2 billion for all other government expenditures. Of this balance, $4.2 billiòn are earmarked for veterans' services and benefits.

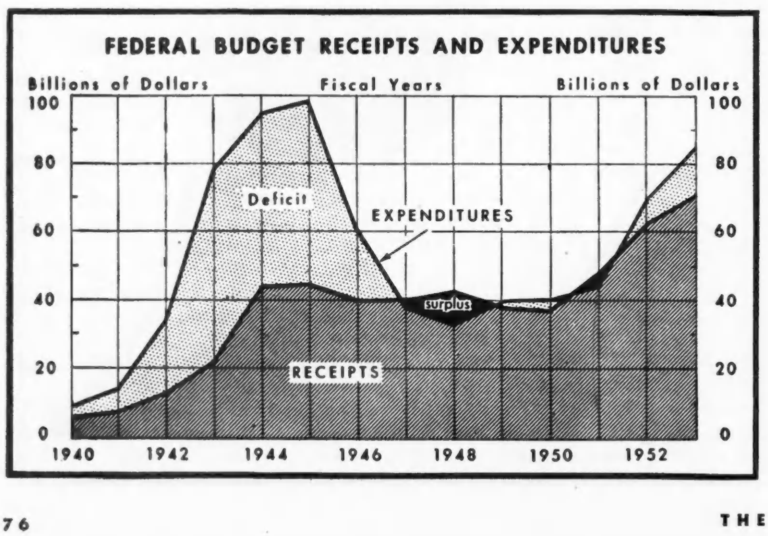
It would take a lot of doing to cut 25 percent or $5.5 billion out of the remainder available for all other governmental purposes, and such a deep cut undoubtedly would cripple some essential government functions. Even so, total spending still would far exceed estimated Federal receipts of $71 billion for the fiscal year 1953.

We are confronted with a situation that borders on the incredible. We have certainly reached the effective limits of individual and corporate taxation. If we cannot cut down total government spending, including defense spending, to fit our income, we must accept continuing deficit financing. Senator Byrd of Virginia, who has an eagle eye for that sort of thing, found that he could lop off only $8.6 billion from the $85.4 billion expenditure total although it must be recognized that even he treated the military gently when it came to proposed cutbacks.

Danger Point Certainly Reached

It is therefor obvious that in a very rèal sense we have already reached the danger point in government spending. This is made clear by the size of the budgetary deficits and the palpable fact that we have reached the outermost limits of taxation. It is clear that the government, for good reasons, hesitates to add to the national debt. It is doubtful that a substantial increase in the debt above the present levels could be supported without further serious inflation that could affect the savings of the public.

It is for this reason that, having arrived at the final cross roads, we must decide on a serious policy, without regard to political considerations. That can only mean a definite cut in government expenditures, no matter how worthy the individual items. Otherwise, the alternative is a highly centralized and socialistic government.



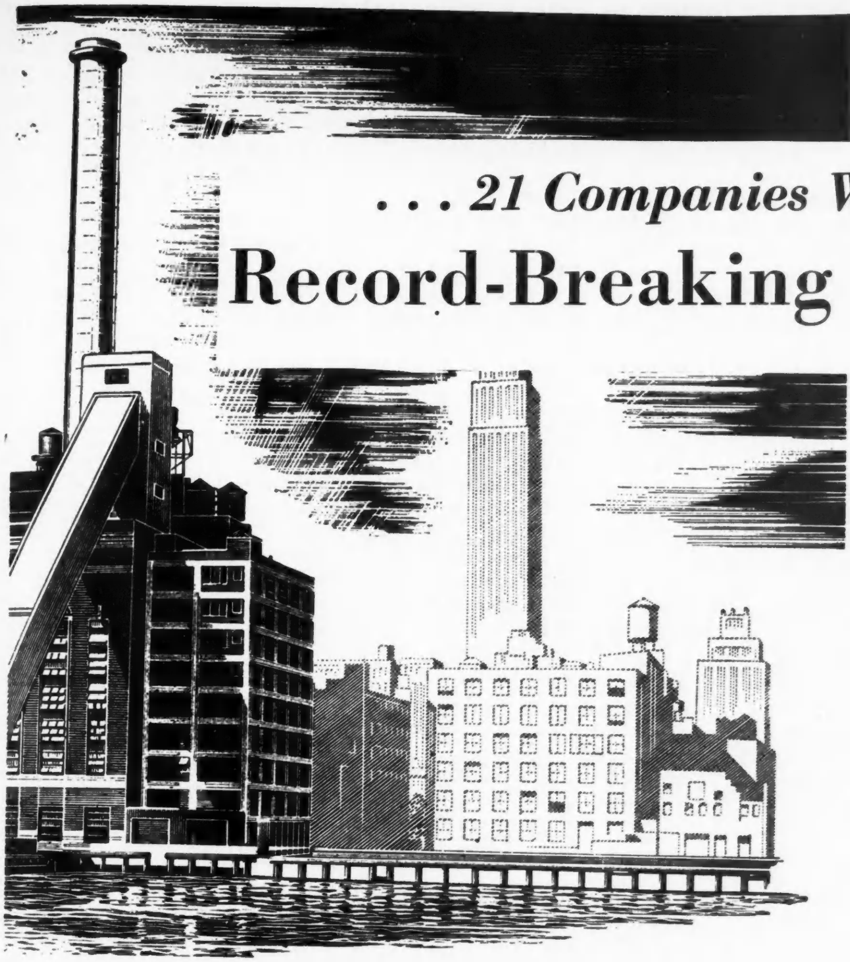
A deficit of approximately $14 billion for one year, to be added to the existing Federal debt of about $260 billion, would not be so bad if it were only for one year. During actual wartime, we have to accept piling up of debt as the alternative to losing the war.

But, during actùal warfare, we know that the war will be over in a few years.

The Garrison State, on the other hand, may continue for 20 years or more.

Although the peak of defense spending may end in a few years,

(*Please turn to page* 122)



. . . 21 Companies With . . .

Record-Breaking Earnings

—THEIR OUTLOOK IN 1952

By WARD GATES

In 1951, a limited number of companies overcame the obstacle of high taxes and costs, breaking sales and earnings records for the past few years in the process. This record-breaking performance was unusual since most companies had a decline in earnings, despite their peak sales.

It is natural that companies which set earnings records should invite attention by the investing public. Investors are always anxious to know about companies which are doing better than the average. Accordingly, we have made a survey to determine which companies belong in this favored group.

In our search, we have examined the earnings records of several hundred companies, and have discovered that only twenty-one have actually broken post-war earnings records. A number came quite close to this mark but could not be included owing to our specific requirements. We have used the period 1947-51 as the basis of determination, omitting 1946 from the post-war period as not being entirely representative.

Since conditions affecting individual companies vary widely, it would not be possible to find reasons common to all for their success. However, there are some earnings factors which are at least common to the members of several of the groups into which the 21 companies are aligned. For example, one reason for the exceptional earnings of the oil, natural gas and mining companies is that they are favored by liberal depletion allowances and, hence, are tax-sheltered to a considerable degree. Under these conditions, they are able to save a greater part of their gross than would be possible otherwise. This tax feature obviously gives this group an advantage over many other industrial groups.

Public utility companies, likewise, are favored by satisfactory EPT exemption rates. This is also true of some of the railroads. On the other hand, machine tool makers, for example, have benefitted sharply from the enormous upsurge in defense orders, and are likely to continue to do so for a considerable period.

In all of the twenty-one companies listed on the accompanying table, the common denominator which has enabled them to overcome the difficulties of other companies and thereby to go ahead and make new earnings records, is that the percentage of gain in sales has been sufficient to absorb both increased costs and taxes and leave a higher margin of profit. In other words, sales gained more rapidly than costs.

The Favored Groups

Naturally, record earnings have been obtained only in those industries such as oil, metals, machine tools and public utilities (in addition to a few miscellaneous groups) where conditions have been unusually active. The accompanying table shows that of the twenty-one companies listed, five are in oil and natural gas; three in metals; two in public utilities; two in railroads, and three in machine tools and heavy machinery. The rest are in miscellaneous industries.

It is interesting to note that only one chemical is listed, despite the fact that this industry has been among the most prosperous. The chemical concerns, of course, were heavily affected by high taxes and

therefore were unable to translate their rising sales into proportionate gains in net.

Beneficiaries of the defense program have been the machine tool makers, such as those listed on the table herewith. Companies directly linked up with military orders, such as Electric Boat, have fared well.

Some Gain from Armaments

Generally speaking, there are two classifications of companies with record earnings. The first is that group, temporarily benefiting from a large proportion of military orders. The second group, of greater importance to investors, is that now benefiting from fundamental planning, whose facilities have been greatly enlarged and which are in a basically strong and growing position.

The listings on the accompanying table show that 1951 earnings in almost all cases exceeded previous years by a wide margin. However, it is necessary to point out that record-breaking earnings in 1951 afford no guarantee of duplication in 1952. This will depend on a great many factors, some of which have yet to emerge. However, it is important to recognize that these companies have been able to make an exceptional showing in a year when most concerns fell back in earnings. For the time being, therefore, they stand out from the rank and file.

In order to give our readers current information on the position of these companies, we herewith describe briefly the earnings situation in each one of the twenty-one. We have also included pertinent comment as to the speculative or investment status of these stocks.

Atlantic Refining Co. Gross operating income of $560 million was the highest in history, or about $84 million higher than in 1950. Costs and taxes increased $77.5 million, leaving an increased income of slightly over $4 million. Per share earnings for 1951 were $12.20 a share against $10.90 a share, without reference to the 20% stock dividend. Adding to earnings was the notable increase in chemical sales which stood at $13 million compared with $3.3 million only two years previous. This profitable end of the business is being developed rapidly. The outlook for the first half of 1952 is favorable and earnings should continue on the present large scale. Expansion into the new Canadian fields and the Williston Basin holds large promise for the future. At current prices of about 90, however, with a yield of a little over 4%, the stock probably has already more or less fully discounted these prospects.

Gas Company's Territory Gains

Brooklyn Union Gas Co. Operating revenues rose in 1951 from $42.2 million to $43.9 million, leaving net at $3.7 million against $2.9 million. Per share earnings increased from $3.60 a share to $4.48 a share. The increase was due principally to economies from natural gas. Further savings are expected after completion of conversion to natural gas. The company operates in a rapidly growing part of New York with well-defined prospects for a population increase for a number of years. Continuation of excellent earnings is in prospect, with operating economies playing an important part. The stock is a suitable investment for long-range purposes.

Bullard Co. This company is a beneficiary of the defense program which requires enormous quantities of machine tools. Under the stimulus of this business, Bullard's sales rose sharply from $12.5 million in 1950 to $31.7 million in 1951. Despite a large increase in costs and taxes, net income about doubled from $875,000 to $1.5 million, or from $3.17 a share to $5.55 a share. A large share of the company's business probably will be subject to renegotiation. Hence, no important increase in earnings is expected for this year. The business is normally cyclical with wide variations in earnings. The stock, consequently must be considered in a speculative category.

Chicago Pneumatic Tool Co. This company also benefited from the large volume of business flowing from the defense program. Sales jumped from $32.8 million in 1950 to $51.4 million in 1951. After an increase in costs of $8 million and in taxes of about $8 million (including renegotiation) net income rose from $4.3 million to $5.2 million, or from $10.22 a share to $12.28 a share. For the past five years, the company has maintained a high level of earnings. In addition to its defense-stimulated business, the company has a broadly diversified line, with good markets in normal times. Continued satisfactory earnings are expected. The stock, of a semi-speculative type, probably still has room for appreciation over the longer-term. The yield at current prices of 50 is 6%, based on the $3 dividend. A higher dividend can be paid.

Leading Machine Tool Maker

Cincinnati Milling Machine Co. This is the largest of the machine tool makers and entered 1952 with a backlog of $170 million in orders. Net sales rose from $38.3 million to $67 million. Costs and taxes rose only by about $6.7 million, permitting an increase in net profit from $2.2 million to $5 million, or from $2.70 to $4.74 a share. This exceeds earnings for the past five years by a wide margin. Prospects are for continuation of satisfactory profits in 1952, based on the record-breaking backlog. The stock at 34, with a dividend of $2.20 a share, is among the best of the machine tool group and is worthy of retention.

Cleveland Electric Illuminating Co. This important public utility has made steady gains since the war, with last year's earnings at a new high. Total revenues for 1951 were $79.9 million against $70.1 million in 1950. An increase of $8.1 million costs and taxes was absorbed by the higher gross revenues, leaving a balance of $11.4 million against $10.6 million in 1950. This amounted to $3.68 and $3.40 a share respectively. Higher taxes and financing charges will probably hold net down in succeeding months but should be offset later by operating economies through new facilities now being installed. The stock is of investment calibre and at current prices of about 52 yields slightly under 5%.

Denver & Rio Grande Western. This road has been breaking all earnings records, due to capacity operations at the Geneva and Pueblo steel mills, together with high shipments of raw materials attendant on these activities. The company is a distinct beneficiary of the defense program and future earnings, to some extent, is dependent on these requirements. Of more fundamental importance is the road's strategic position, especially with regard to the Union Pacific RR. Earnings for 1951 were $18.09 a share, compared with $12.49 the year before, and the

largest in the post-war period. Earnings are likely to be large as long as the defense effort continues, but this lends a speculative cast to the issue. At current prices of 69, the stock yields less than 4% on the $2.50 dividend. The current rate of dividends is modest in relation to earnings.

COMPANIES WITH EARNINGS AT NEW HIGHS

	Earnings Per Share 1947	1948	1949	1950	1951
Atlantic Refining	$ 4.43	$10.60	$7.92	$10.90	**$12.20**
Brooklyn Union Gas	(d) .29	1.21	4.32	3.60	**4.48**
Bullard Co.	.31	1.58	1.89	3.17	**5.55**
Chicago Pneumatic Tool	10.41	11.21	7.94	10.22	**12.28**
Cincinnati Milling Machine	1.63	2.70	2.65	2.70	**4.74**
Cleveland Electric Illum.	2.80	2.98	3.06	3.40	**3.68**
Denver & Rio Grande West. R. R.	7.05	15.31	6.33	12.49	**18.09**
Eastern Air Lines	.53	.98	.82	2.19	**3.02**
Electric Boat	.37	2.49	.13	1.52	**4.53**
El Paso Natural Gas	1.71	2.34	1.92	2.13	**3.14**
Hudson Bay Mining	4.65	5.71	4.72	5.63	**6.42**
Ingersoll Rand	8.03	8.84	7.40	9.25	**9.79**
International Nickel	2.17	2.55	2.08	3.21	**4.17**
Mathieson Chemical	1.67	2.80	2.57	3.32	**3.56**[1]
Pfizer (Chas.) & Co.	2.09	2.12	1.73	2.20	**2.41**
Reynolds Metals	2.22	6.43	3.82	8.32	**10.50**
Seaboard Air Line	2.22	6.59	4.89	12.23	**13.59**
Sinclair Oil	4.38	6.77	4.52	5.81	**6.78**
Standard Oil of Indiana	6.21	9.16	6.72	8.09	**9.71**
Texas Co.	3.95	6.02	4.82	5.41	**6.50**
U. S. Rubber	9.39	8.48	5.62	11.04	**14.29**

(d) Deficit
[1] Prior to change in capitalization.

Eastern Air Lines, Inc. Operating revenues and net earning both made new records last year. The former increased by 25% and totaled slightly under $100 million compared with $78.4 million the year before. Net profit increased to $7.2 million against $5.2 million despite an increase of about $18 million in costs and taxes. Main factor in the rise in earnings was the increase of 30% in passenger revenues which reached a peak figure of $92.5 million. Increase in traffic is attributed to demand for space on planes occasioned by the defense program, the success of the air coach type of travel and the summer excursion programs. Indications are for continued growth in traffic but higher taxes may prevent the company from making new highs in earnings, though they should remain quite satisfactory. Dividends are small in comparison with earnings. At current prices of about 25, the yield is only 2%, based on last year's 50-cent payment. The stock is of the business man's investment type, suitable only for long-range holding.

Electric Boat Co. This company is directly dependent on war orders. Net sales about doubled in 1951, to $82 million. Despite higher costs and taxes, the latter increasing about $2.7 million, net income was $3.8 million, almost three times that of 1950. Earnings per share were $4.53 against $1.52. Contributing largely to record earnings was the gain in sales by Canadair Ltd., the company's aircraft subsidiary. This company makes the F-86E Sabre jet fighter. Aside from this, Electric Boat is building more submarines and is now engaged in constructing the first nuclear-powered submarine in history. Prospects for this year are good based on the record $267 million in unfilled orders. Obviously, the future of the company is linked directly to naval procurement. The stock is speculative. At current prices of about 31, the yield is 4%, based on the $1.25 a share dividend.

A Strong Pipe-line Company

El Paso Natural Gas Co. Steady expansion of pipe line facilities and broadening of contractual relationship with major suppliers of natural gas have enabled the company to push its earnings into new high territory. Sales in 1951 were $61.9 million against $39.9 million in 1950. After a $2.7 million rise in taxes and a $2.4 million increase in depreciation charges, net income rose substantially from $6.3 million to $10.9 million. Per share earnings were $3.14 in 1951 compared with $2.13 a share in 1950. The outlook for this year is satisfactory as demand for natural gas continues unabated. If it receives sanction from the FPC, the company has in view expenditures of about $90 million for expansion of facilities. The stock is of the growth type but not yet of investment quality. At current prices of 36, the yield is 4.4%, based on the $1.60 a share dividend.

Hudson Bay Mining & Smelting Co. Total revenues of this important Canadian mining company rose from $43.8 million in 1950 to $54.2 million in 1951. After an increase in costs and taxes, the latter amounting to almost $4 million, net income after depletion was $17.7 million compared with $15.2 million in 1950. This amounted to $6.42 a share compared with $5.63 a share. These were the largest earnings in 15 years. Higher prices for products such as copper and zinc, principally, accounted for the gain in earnings. With greater recovery potentials to be gained from the new fuming plant, it is likely that 1952 earnings will be at least equal to those of 1951. Dividends were $5 a share in 1951, including a $1 extra. At current prices of 55, the yield is 9%. The stock is suitable only as a speculation, since any eventual contraction in demand for copper, after the completion of the defense program, would have an adverse affect on earnings. For the near-term future, however, earnings should continue on a satisfactory basis.

Continued High Earnings Expected

Ingersoll-Rand Co. This company continued its steady forward movement with respect to earnings. Sales jumped from $89 million in 1950 to $150.4 million in 1951. Costs increased about $38 million and taxes $19 million. Nevertheless, partly aided by its favorable EPT base, the company increased net income by $1.1 million. This stood at $19.8 million compared with $18.7 million 1950. Per share earnings were $9.79 in 1951, a new post-war record, compared with $9.25 a share in 1950. The company is directly influenced by conditions in the capital goods industries and since heavy construction under the defense program is expected to continue active until the end of the year, it is likely that earnings for 1952 will approximate those of the past year. The stock is considered (*Please turn to page* 116)

POLITICS TAKES OVER DEFENSE

By E. K. T.

DEPARTURE of Charles E. Wilson from the office of defense mobilizer may result in basic changes in the Defense Production Act, creation of an entirely new approach to the goal of making America militarily strong. Wilson had dominated the scene, virtually unchallenged. He had 100 per cent backing from President Truman until the final test came. And it's significant that Truman, the free agent politically, no longer interested in votes, was ready to drop Wilson and replace him with Dr. John Steelman.

WASHINGTON SEES:

President Truman's declination of candidacy for another term has pulled the rug from under the Dixiecrat campaign. In the words of a Whitehouse intimate: "It left Senator Russell without an issue, because now the Dixiecrats have nobody to hate."

Most active speculation in the Capitol revolved about the question: Who will benefit most from the President's act? Since Senator Russell of Georgia wasn't conceded any chance of winning the regular democratic nomination, and now there will be no Southern bolt, he is completely out. Senator Kefauver is forging ahead, but won't get the Presidential nod unless there is a complete reversal of White House attitude toward his candidacy. Gov. Adlai Stevenson of Illinois seems to be favored by the Truman group but is strong on civil rights legislation and might re-kindle the fires in the Southern tier. Vice President Barkley would walk into top spot with almost no difficulty if it were not for his age—and even that might not stop him.

The man in public life Mr. Truman dislikes most might be the eventual beneficiary. Senator Taft would definitely be the under-dog in a race with President Truman. Now that the President is out of the way, and Taft's political stock is on the rise, his popularity as a candidate is extending beyond the conservative wing of the party. The gloom is lifting in his headquarters here.

STEELMAN is well known to congress. His ideologies are those of Truman and the Fair Deal. He has been accused of putting his foot in his mouth in several labor difficulties which wound up at the Executive Mansion, although his record in the Labor Department and in the White House make those instances exceptions to the rule. But he doesn't typify the successful production man, as Wilson did. And he doesn't have the detachment from partisan politics that Wilson had. The Defense Production Act, more than almost any other federal statute, was built about an individual—Wilson. It was written in broad brush strokes, not finely pen-pointed. With Wilson out of office, there will be changes.

PROPONENTS of the principle of limited tenure for Presidents of the United States (two terms of four years each) had confirmation in the past few weeks of their rightness. Whether one agrees or not with President Truman's latest actions, it must be admitted that a President who is not a candidate for re-election is better able to maneuver than one who must watch the effects of his actions on each precinct. Mr. Truman probably would have temporized with the steel price situation to keep Wilson as mobilizer, were he a candidate for another term.

FAIR TRADE legislation is creating a stir on Capitol Hill with two committees of the House—judiciary and foreign commerce—joined in a recommendation that the Supreme Court decision (that non-signer states cannot enforce producer-fixed prices) be set aside. There is some support for the idea of allowing a producer to fix only the minimum price, permit the retailer to go on from there. Actually, that's the fundamental purpose of the original Miller-Tydings Bill although it went somewhat afield in application. Congress already having approved the idea in the legislation which most states indorsed (as the court held was necessary to make it effective within their borders) will repeat. The White House may veto.

As We Go To Press

The country will see a federal personnel shakeup the like of which has not been witnessed since 1933, when the next President ofthe United States takes over nine months hence. Not since Franklin D. Roosevelt succeeded Herbert Hoover in the White House has there been the prospect of a house-cleaning comparable to that which is ahead -- whether a democrat or republican is elected President. The impact of a change will be modified somewhat by voluntary departures before next Inauguration Day. Still, many will hang on, clinging to the hope that springs eternal in the human breast.

President Truman's withdrawal from candidacy was a genuine surprise and stock to his immediate staff. His press secretaries, closely following the mimeographed speech of the Jackson-Jefferson Day speech, seated at a front table, smiled in pleasant anticipation when HST departed from text to ad lib. It was, they anticipated, the beginning of a "give 'em Hell" interlude. Their chins dropped as the disclaimer of candidacy sank into their consciousness. The only knowing smile came from Mrs. Truman who undoubtedly had engineered it all.

It is probably true that Mr. Truman didn't intend to use the big dinner party as the backdrop for his announcement of intention. But he's an avid newspaper reader, peruses every major political column (much as he dislikes most of their architects), and he had received reports from his most trusted political scouts -- Victor Hunt Harding of the democratic house elections committee, and Leslie Biffle, secretary of the senate. Adding everything up, he must have concluded that Senator Robert A. Taft will not be the GOP nominee, that his only obstacle to retirement and rest had been removed!

The January cleanup will, of course, be most sweeping if the republicans take over the White House. It will be little less extensive if the democrats win. Mr. Truman ascended to the Presidency without political patronage obligations such as an elected President has. He found a smoothly operating organization of personal friends, and people he needed to help him do the job which he took in abject modesty. Except for his immediate secretarial staff he made almost no changes; those which came along later were so gradual as to be almost not noticeable. A new democratic President would come into office with appointments owed, if not promised, called upon and undoubtedly willing to reward those who made the fight for him.

It requires little imagination to picture what will happen in the Treasury and State Departments. Secretary John Snyder is a crony choice for the Treasury, and a new democratic President would have no purpose in recognizing that relationship. State Secretary Dean Acheson has held on because of Mr. Truman's stubbornness -- his refusal to accede to party pleadings that he shake off the man who is regarded a political drag on the party.

Business and industry needn't be told that its fate frequently is determined on levels below the Cabinet rank -- by board or commission members who are appointed for stated terms which will overlap the next Inauguration. What of that group? By custom, all federal officials whose appointment requires senate indorsement submit their resignations on Inauguration Day (the President, himself, can remove the others) even if the White House incumbent is returning for another term and there has been no change.

Capitol Hill, too, will see many new faces, the percentage of turnover about in proportion to the margin by which the next President wins. That applies more specifically to the house side. In that branch, every seat is up for vote bid. In the senate wing, only one-third of the membership need have a direct personal interest for only

one-third of the posts become vacant each two years. Nothing short of a republican landslide would substantially change the makeup of the senate. Most of the vacancies arise in areas which are safe for the incumbents (especially true of the democrats, many of whose Southern members are running again.) At least eight house members will withdraw to seek senate election, five more will be out in quest of gubernatorial spots.

This is being made into a plea for the nomination of Eisenhower by some of his followers. They insist that Ike will be helped into office by a great outpouring of independent and even democratic votes. Even if Taft, only other serious candidate, wins the presidential race, these Ikemen say, he will not appeal greatly to voters of the maverick class, and might face a Senate organized by the democrats.

If getting the work of the senate done were the only consideration, Taftmen might with justice reply that Taft's wishes command more respect than Truman's today, even if they might have to be channeled onto the floor through a democrat. Actually, senators yearn for the perquisites of committee chairmanships and first call on desirable offices, so the argument is convincing there. Where it boomerangs is that it strengthens the suspicion of many Taftites that some Ikemen would turn democrat or sit the election out if Ike weren't nominated.

A July 7 adjournment of congress again is coming into sight. The house appropriations committee has shown unlooked-for speed in getting money bills ready for submission. It has prepared a calendar of action which, if followed, will lead to dismissal of class in time for the national conventions without the necessity of returning immediately afterward -- a prospect which had been dimming earlier in the year. It's a certainty that the lawmakers will quit the Capital when the appropriations are voted. There had been little disposition to act on Administration must legislation. Now that Mr. Truman has bowed out, that tag has become completely meaningless. The Chief Executive has snipped off the coat-tail.

Usually regarded as one of the most logical thinkers in congress, Rep. Francis Walter of Pennsylvania, evidently suffered a lapse of attention to implications when he suggested that J. Edgar Hoover succeed Newbold Morris as chief prober of corruption on the governmental high level. Walter, a democrat, wasn't gunning for Morris because the latter is a republican -- the GOP members of congress could be relied upon to continue their relentless campaign to discredit the appointee and his program. They didn't need democratic help.

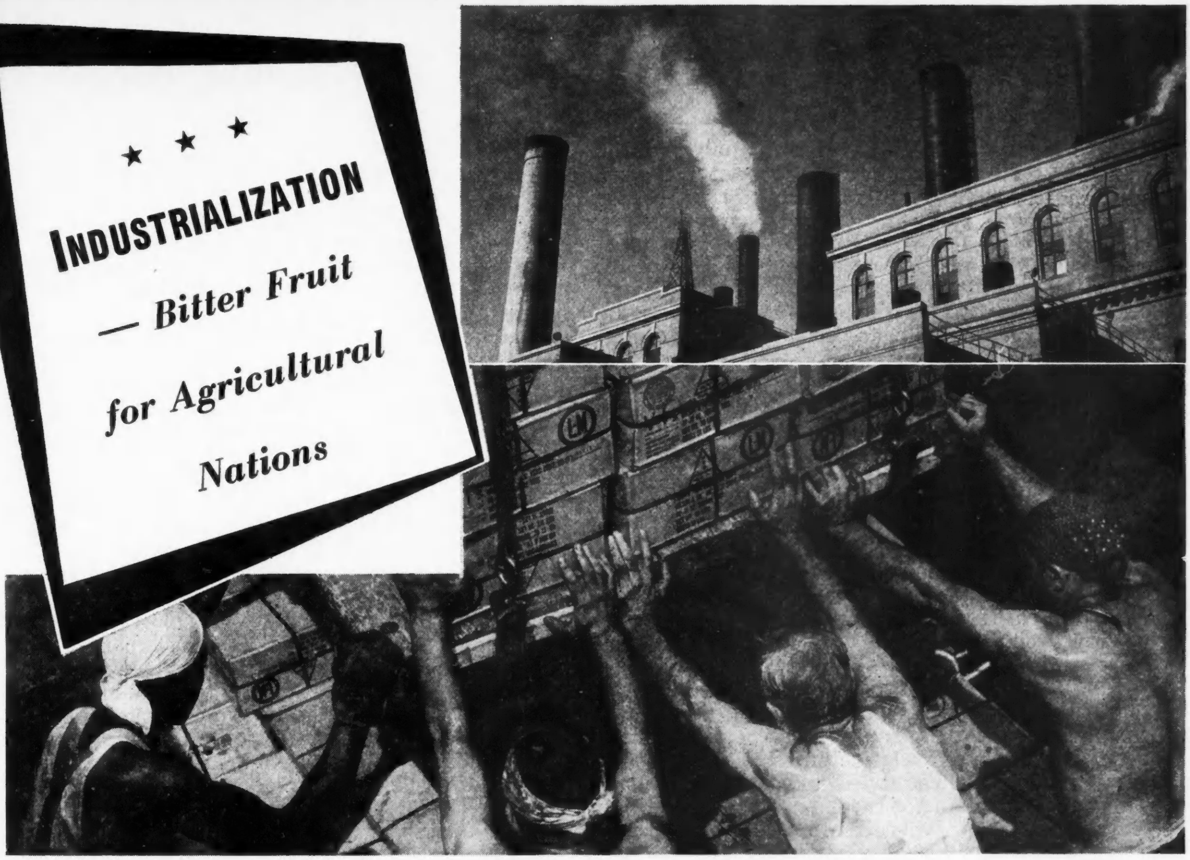
What Walter seems to have overlooked is the fact that he would do a great disservice to Mr. Hoover (and in a great mass of bi-partisan opinion, to the entire country) if he were to bring about a situation diverting the chief G-Man's attention from the business at hand in the FBI. Hoover couldn't win any more than Morris could win. Whatever the content of the eventual report, it will be subject to criticism and its author charged with political motivation. That has never been charged against J. Edgar Hoover in the past. It's believed he would resign rather than accept the post; congress, sharing that belief, won't force it on him.

A Texas congressman -- a democrat, naturally, since his party has a monopoly on the Lone Star State's delegation -- has placed his finger upon one of the weaknesses of federal government and stirred no controversy in the process. He's not a big business lawmaker by a long shot, but he asserts the opinion that big successful corporations would wither and possibly perish if they pursued common Washington practice. In view of his political and regional background, what Rep. George Mahon (d.-Tex.) had to say is interesting:

"If General Motors and General Electric had that sort of rotation system at the top that we have in the Defense Department there would be pandemonium and waste and lost motion and inefficiency." Good so far; but Rep. Mahon didn't suggest that his colleagues refrain from driving good men out of the Pentagon by constant badgering. And the Pentagon has been ruled over by men of both political parties; it's about as close to bi-partisan as Washington gets.

★ ★ ★

INDUSTRIALIZATION — *Bitter Fruit for Agricultural Nations*



By V. L. HOROTH

Why is it that *Argentina*, the proverbial country of thick steaks and potentially the world's greatest producer of surplus food—except for the United States—must legislate two meatless days a week? Why is it that Argentina has been able to scrape together only about one-third of the meat (and that by relying on old stocks) contracted for delivery to Great Britain in 1951-52, thereby forcing the latter to reduce further her meagre meat rations? Why is it that Argentina is importing wheat—from Rumania, of all places—when before the war she used to export on the average some 140 million bushels a year? This year there will not be enough wheat to supply even her neighbor Brazil, who is already using up her precious dollars to buy food instead of capital goods.

Why is it that *Brazil*, a country larger than the United States, is not producing enough food, although there is plenty of land and the climatic conditions are favorable, especially in the south? Relative shortage of food is one of the basic causes of Brazilian inflation which may have serious political repercussions. Even Brazil's cash crops are failing, despite high prices. The day of big coffee crops seems to be over, although the price is at least three times as high as before the war.

Why is it that another great surplus food country, *Australia*, is beginning to curb her exports of meat and dairy products to her old markets? Here again is a country larger than the United States with vast areas waiting to be opened up either for agriculture or for grazing.

Many more examples could be cited. There is *Canada*, with agriculture turning more and more to supplying the domestic market rather than shipping abroad. The fabulous steaks seem to be as much a recent past in *Uruguay* as they are in Argentina. Behind the Iron Curtain, the changes have been even more drastic. *Hungary*, described in sayings as the land of plenty, and *Poland*, where 15 years ago unsalable food surplus depressed the economy, are gripped by a food crisis, with discontent and a rebellious attitude toward their Communist masters spreading. *Rumania, Egypt, Burma, Indo-China*, and other countries which once had big surpluses of farm products to sell are either deficit countries now or scraping the barrel for meagre exportable surpluses.

Foor Surpluses Smaller

Why are the world's exportable surpluses of food and other agricultural products getting smaller? The answers are many. One may start with natural causes. There has been a series of serious droughts in South America in recent years. Northeastern Brazil, the Natal bulge, has become a regular dust bowl, with thousands of refugees streaming into the unused lands between Rio and Bahia where rainfall and hence the crops are more dependable. Southern Brazil and parts of Uruguay and Argentina had equally damaging droughts, though rains arrived recently.

The rise in population has been another reason for the whittling down of food surpluses. Because of the declining death rate, Latin America is one of the fastest-growing continents in population, increasing

at a rate of about 35 million per decade. Brazil, which in 1937 had some 38 million people, is estimated to have had 53 million in 1951. In the same period, Argentina population, helped by immigration, rose from 13 to 17 million. Not only has the land under food crops failed to increase as fast as the population, but following the outbreak of the Korean war there was considerable diversion of food crops into cotton (Mexico, Brazil) and from meat production into wool (Argentina and Uruguay). Thus as a whole the per capita output of food, and especially of protective protein foods, is actually lower than before the war, despite the fact that there is plenty of land available.

India's Rapid Population Growth

The situation is, of course, worse in Southeastern Asia and India, where the population is increasing at a rate of about 80 million per decade—or by half as many people as live in these United States—and where land is scarce. In Africa, the population pressure on the existing cultivable land perhaps grows fastest, but since the yields are extremely low, substantial increases in food output could be produced with improved methods. As in Latin America, the high prices of cotton, sisal, tobacco, coffee, and cocoa following the Korean war outbreak resulted in the diversion of land from food crops into cash crops, with the result that internally there has been more purchasing power and relatively less food.

In underdeveloped countries such as India, where the population is rising at the rate of about 4 million a year, or in Egypt, where the population grows at the rate of about 400,000 a year (despite the fact that the cultivable land is limited by irrigation) industrialization is highly desirable. With an excessive number of people settled on arable land—in the Ganges valley of India more than 1,000 people eke out their living on a square mile of arable land —agriculture becomes uneconomic. Under those circumstances it is essential to relieve pressure on land by developing alternative employment—industry—which could provide cash income to buy food that cannot be raised at home.

Eastern Europe Loses Food Output

In the satellite countries of Eastern Europe, Hungary, Poland and Rumania (and also in Yugoslavia), the wartime and postwar industrialization has greatly reduced the pressure on land. For example, in *Poland*, which fell heir to great German industries in Silesia, there has been an exodus from the farms to the cities. Instead of 70 per cent of the people living on the land before the war, only about 50 per cent till the fields now. Over 50 per cent of the people are now working in industries and mines as against only about 20 per cent before the war. Much the same has happened in postwar *Hungary*, where the discovery of petroleum and many industrial raw materials has greatly fostered industrial expansion. The Hungarian and the Polish peasant must now feed more than twice as many people, and since he is doing this reluctantly and only with a Communist whip held over his head, production is barely large enough to feed himself and the industrial workers. The former surpluses of food have vanished, and this development is bound to thwart the hopes of those West German industrialists who still count on a big trade with Eastern Europe.

The rise in the standard of living has been still another cause of the gradual shrinkage of the surpluses of food and agricultural products. People eat not only more, but in such countries as Australia, New Zealand, some Latin American countries (Cuba and Venezuela) and some European countries they now eat better balanced and higher grade foods: more meat, dairy products, and vegetables. The process has, of course, gone farthest in the United States. It has been estimated that during the past 10 years or so, the improvement in per-capita diet raised our overall food consumption by about 16 per cent over and above the increase due to the natural growth of population which amounted to about 30 million.

Nowhere, however, did the relationship between agriculture and industry and between domestic consumption and surpluses for export change as radically as it did in Argentina during the past five years.

Argentina's industrialization began some 40 years ago but did not come into its own until during the Second World War. Until that time, wealthy landowners controlled the Government, and the structure of the country was basically a plantation economy: large estates with abundant, relatively cheap labor producing huge surpluses of wheat, corn, linseed and other products, the export of which financed the imports and the debt service on the foreign investments. However, the system excluded from political power the growing number of industrial workers as well as European immigrants who were primarily interested in homesteads rather than in providing cheap farm labor. This was the weakness of the system. When, because of the war, Argentina lost her traditional markets for farm surpluses in Europe, General Peron had no difficulty in destroying the system by championing industrial workers and independent small farmers. The logical counterpart of the drive against what General Peron called a land oligarchy was a drive against the foreign capitalist. Argentina was to become economically independent, the leading country of Latin America, the Colossus of the South, counterbalancing the United States in the North.

No Meat for Argentinians?

General Peron succeeded only too well. The onrush of farm labor to city factories, attracted by high wages, brought about the break-up of the majority of landed estates. First went those which produced wheat and corn surpluses, more recently those which produced meat and wool. But the small independent farmer has not escaped. To assure the workers increased purchasing power, the Peron regime fixed prices for farm products far below the world levels. This system enabled the now infamous government buying agency, the IAPI, not only to bring the price of the workers' bread down, but, by selling at world prices, to make fabulous profits with which were financed dubious Government projects and the expansion of the Army.

Thus while urban population grew and General Peron boasted that every Argentino could eat meat, there soon was no meat, because the rising costs and the shortage of farm labor brought about the wilting of agriculture. A lot could have been saved by providing those who stayed on farms with tractors, mechanical equipment, etc. But there was no money for this, foreign exchange being reserved for the needs of industries. Pretty soon there was no foreign exchange for industries either, because the agri-

cultural surpluses that brought in foreign exchange had nearly disappeared.

Hurriedly the Government is trying to salvage the pieces. Funds have been set aside for the purchase of agricultural machinery, and farmers are being given incentive prices, though still below international levels. But the farmer is on strike, and meanwhile the whole country is bent under the burden of industrialization, the welfare state, huge food subsidies, an oversized army, and an inflexible bureaucratic machine. The longer the present situation persists, the worse will be the reckoning.

Industrialization in Australia

Australia is another country that has decided to favor industrialization, not because of any pressure of population on land as in India or Egypt but because of economic nationalism and because the party in power was committed to high wage policies. Australian labor believes not only in high wages but also in high tariffs and import restrictions—something that appealed to the Australian manufacturers who voted the Liberal Party.

Hence, Australia has done everything she could to foster industrialization. Hundreds of new industries have been introduced, and most of them were doing well until recently, though now they complain of competition. Foreign exchange was set aside for the needs of industry, while the farmer, who was responsible for food surpluses which created foreign exchange, often had to do without proper tools and barbed wire. As in Argentina, there was a general exodus from farms to high-paying jobs in cities. Much the same thing, of course, has happened even in the United States, but the farmer here has had enough capital or has been provided with it to buy equipment and machinery to replace farm labor. In fact, despite this handicap the American farmer has been able to increase his output by one-third. As in Argentina, agricultural prices in Australia have been kept below the international price level in order to keep the domestic prices as low as possible.

Service Trades Claim Too Many

The post-Korean price bulge made the situation worse. High prices of wool and unheard of prosperity stimulated throughout Australia an unprecedented establishment of service occupations: hair-dressing salons, ice-cream parlors, garages, etc., all offering large returns. That meant another raid on rural labor supplies. Industries too were further expanded, with the result that Australia has more factory workers in relation to the population than has the United States. But the productivity of these workers is about one-third of the American level, while wages are about 60 per cent as high.

Thus Australia finds itself with over-expanded manufacturing industries—many of them inefficient when compared with American industries. On the other hand farm production is stagnant, and because of the rise of purchasing power and the expansion of population (rising at the rate of 3 per cent a year) the exportable surpluses of farm products —except wool—have nearly vanished. Once a big butter exporter, Australia is bringing in this year butter from New Zealand. The result is a balance of payment impasse which the Government is trying belatedly to overcome by helping farmers to obtain more machinery and fertilizers.

Population Growth of Farm Surplus Countries

(Population in Millions)

	1920	1940	1950	1960 Anticip.(a)
Puerto Rico	1.1	1.8	2.2	2.5
Canada	8.9	11.7	13.8	15.5
Argentina	8.6	14.1	17.2	22.0
Brazil	30.6	41.1	52.1	65.0
Mexico	15.8	19.8	25.4	32.0
Colombia	6.0	9.1	11.3	13.5
Cuba	2.9	4.6	5.4	6.5
Chile	3.7	4.9	5.8	7.0
Australia	5.4	7.0	8.2	10.5
New Zealand	1.2	1.6	1.9	2.3
South Africa	6.8	10.4	12.3	14.5
Egypt	13.2	16.9	20.4	24.0
Nigeria	16.2	20.0(a)	24.5	27.0
Netherlands	6.8	8.9	10.1	11.5
Hungary	7.9	9.2	9.3	10.0
Denmark	3.2	3.8	4.3	4.8
Algeria	5.7	7.6	8.8	11.0
Tunisia	2.1	2.7	3.5	4.0
Morocco (Fr. & Sp.)	6.0	7.5(a)	10.0	13.0
Anglo-Egypt. Sudan	4.0	6.1(a)	8.3	10.5
South & North Rhodesia	1.8	2.8(a)	3.8	4.8

(a)—1937.

The exodus of rural workers in search of work in government-protected and often uneconomic industries was somewhat less serious in Brazil. Nevertheless there is a shortage of labor in rural areas which reflects unfavorably not only on the production of food but also on the output of such cash crops as coffee. Brazil has, of course, another problem: insufficient means of transportation, which prevents surpluses in one part of that huge country to be profitably marketed in the consuming areas. Price difference between cities and rural areas are often terrific. The solution of Brazil's problem lies not only in more immigration and the transfer of workers from the blighted areas in the northeast, but also in providing adequate transportation facilities. Otherwise the opening of the rich hinterland must lag.

Food Production Promoted in Mexico

In contrast with Brazil, Argentina and Australia, in Mexico there has been and still is a considerable pressure on the available arable land. Taking away young men and women from the land and putting them into city factories does not create serious problems. Nevertheless, even in Mexico, the demand for food stemming from the rise in population, urbanization of the population, and a rise in living standards has convinced the Government that farming and other rural pursuits must be given as much opportunity to advance as city industries. This has been stressed in particular by President Aleman, whose administration will be remembered for promoting rural education, better cultivating practices, the introduction of improved seeds and breeds, and water conservation.

It is obvious from what has been said that the acceleration of industrialization where there is no pressure of population and where labor supplies are limited, is discouraging to agriculture by taking away labor and by increasing production costs. The situation leads to serious (*Please turn to page* 116)

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The Hypodermic of

New Installment Credits

By J. C. CLIFFORD

Relaxation of government controls on installment buying has been demanded by many industries in which this type of selling accounts for a tremendous amount of total business. The attempts of installment sellers themselves to do away with current restrictions has been seconded by sellers of other types of merchandise, who hope to reap some additional business for themselves from the stimulus to employment which the relaxation is supposed to afford the hard-hit producers of durable goods.

Assertions are made that present government restrictions severely hamper sales of durables directly and non-durables indirectly. Unfortunately, the wealth of information which is available on installment sales of automobiles and the consumers' durables makes no conclusive case for this viewpoint. If anything, it shows that the merchant is depending upon a very frail support for his business if he relies upon easier installment terms to revive it. The supposedly powerful hypodermic, if it is followed by any effect at all, will derive it only from the added confidence it gives the seller.

Since last August 1 it has been unlawful for the seller of an automobile or an article of durable household goods to allow the buyer more than 18 months to pay for it. For ten months before that, the limit had been 15 months. Now it appears possible that the limit will soon go to 24 months for automobiles, and as long as 36 months for other household durables. On April 8 all controls came off durables costing less than $100. There are some sellers and manufacturers who expect such a relaxation of controls to work miracles with their sales and their suppliers' employment rolls.

These miracles are unlikely to happen, although the likelihood of the relaxation itself increases steadily. If the outcome of the steel dispute too violently outrages the sense of propriety of the conservative members of Congress, all controls may be allowed to expire June 30. If there is no upturn in business as election time comes closer, pressure for relaxation will come from the Administration. The Federal Reserve Board, which administers the controls, is not too set on keeping them now, although it would like to avoid looking as foolish as the National Production Authority, which insisted on the extreme scarcity of structural steel up to the day it let down all bars to commercial construction.

Will Easier Credit Help Durables?

The larger question, of course, is whether the virtual end of controls will mean a great deal to the durables market when it does come. Unfortunately, the evidence points in the other direction. Total lending money available for consumer credit seems to govern the sales of durables very directly, but whether this money is available for longer or shorter periods—the terms of lending—has a minor effect. Between October, 1950, and July, 1951, when the 15-month payment limit was in effect, installment credit outstanding declined $500 million. Between the end of July and the end of December, 1951, with 18-month credit permissible, this sum rose $600 million.

Installment credit outstanding moves less sharply,

by its very nature, than either sales of the articles affected or even the incomes of the buyers. During the 1949 economic hesitation, for example, automobile credit outstanding moved up almost in equal steps, from $1965 million in January to $3144 million in December. Korea, on the other hand, did have a marked effect on these commitments, with a May-to-August jump, bracketing the Korean outbreak, of $900 million.

Effect on Automobiles and TV

The conclusion that controls were a damper on automobile sales appears superficially justified by a hasty look at the fact that from October, 1950, to October, 1951, the change in automobile installment credit was downward $93 million, whereas up to the former month it had been steadily rising ever since automobile production for civilians was resumed after the war. It is more likely that the credit expansion ceased in obedience to the decline in production, rather than the other way around. Automobile production in 1951 was 5.4 million passenger cars, whereas in 1950 it was 6.7 million. So far in 1952 it has been about 975,000 (the reporting agencies, Ward's and Automotive Digest, differ slightly.) Except for seasonal changes, the trend of purchases has been steadily downward since the scare buying of December-January, 1950-51.

Fundamental fact is that there are now some 18 million 1948-and-later automobiles on the road. The buyer is no longer, as he was in 1946 and 1947, obliged to buy a new car or walk. Sixty-five per cent of all families in the nation had at least one automobile as 1951 ended. This compares with 56 per cent in mid-1949, and seems to indicate that most of us can make our present cars do until the cost of living declines a little more, or the climb in automobile costs is reversed.

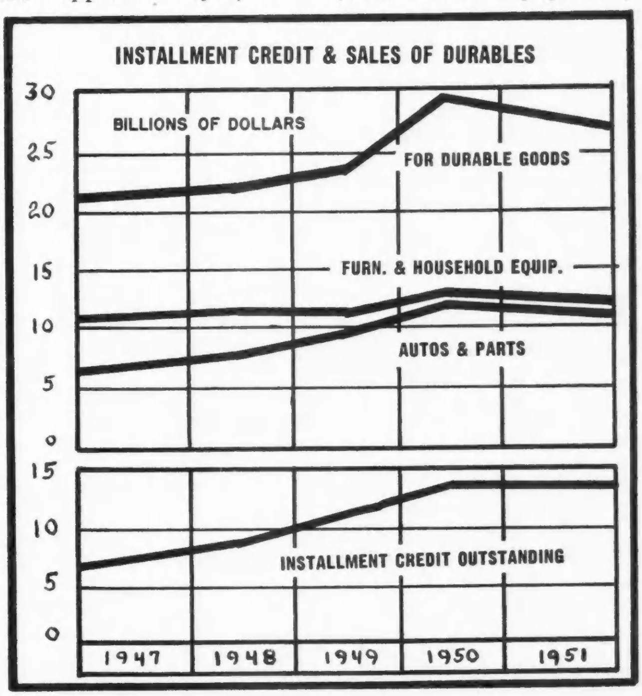
The same sort of study could be made with respect to the other durables as appears above for automobiles, but it would serve no useful purpose since the same conclusion is apparent, with minor variances. What might be called working household appliances have suffered fluctuations more violent than those of automobiles. The peak in values of such articles in merchants' hands was reached in May, 1951. That was about as soon as stocks could be replenished by stores after the cleanout at the 1950 year-end. Once the new merchandises was in the stores, there it stayed. In the third quarter of 1951 retail sales of these appliances were back to pre-Korea levels, while stocks were still 40 per cent above a comparable figure. This was even worse than it sounds, because there had been some marking down of goods in inventory. Since that time, by means of buying as little as possible and pushing sales, dealers in such things as ranges and refrigerators have reduced their own inventories to manageable proportions. Their suppliers have solaced themselves with war work for their vanished civilian business.

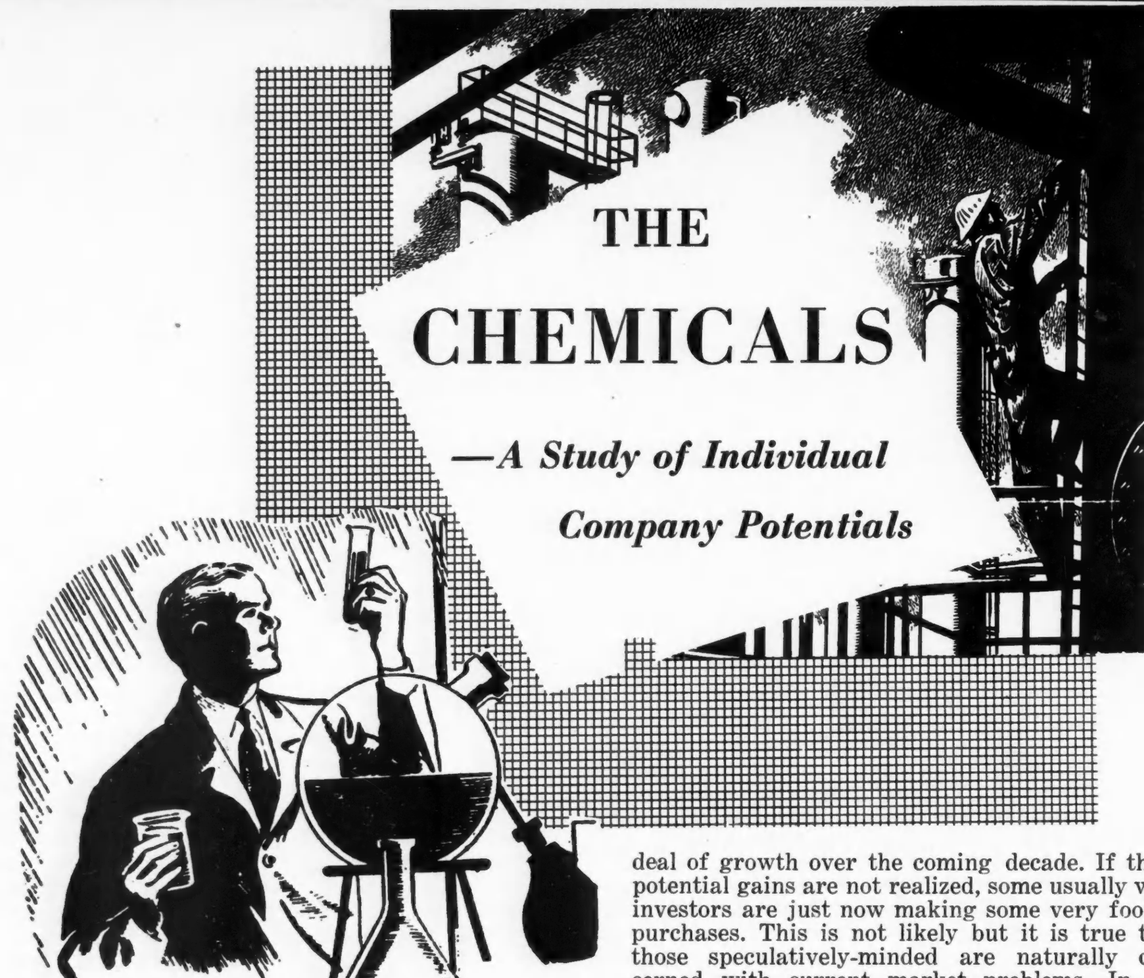
Television, as might be expected, has suffered the greatest swings. In such a new industry, technological progress is rapid, and it has been possible to seek to spur buying by model changes. Overstocked retail dealers have also made a major effort at sales stimulation: One New York metropolitan dealer has been making a radio offer of $100 off list price to anyone who could identify such popular tunes as "Who" or "Tea for Two." Nevertheless, sales in third-quarter 1951 were only one-third of first-quarter sales, and for much of 1951 sales were at half the pre-Korean level. This in turn was 20 per cent below the level allowed by government allocations of scarce metals to television production. This picture has not brightened appreciably in the last six months; set production in first-quarter 1952 was down 42% from a year earlier.

These violent fluctuations might bring the wishful thought that as demand has dipped suddenly and surprisingly, it might soar in the same fashion. This ignores the foundation of the purchases of durables and automobiles since the war, which was basic need. Between January, 1946, and December, 1951, the foundations of 5,962,000 dwelling units were laid. While the established household may buy a new refrigerator, range or vacuum cleaner in any given year, the new household must buy one. While these new homes were being founded, the marriage rate per thousand of population was falling from 16.5 in 1946 to 10.6 in 1951. The evidence is all that we have the things which are customarily bought on the installment plan, and that the newcomers in the market are fewer than suppliers are set up to accommodate. The slump in durables is a slump in the total market, which cannot be revived merely by altering the terms of purchase.

Whom Will Relaxation Help?

Relaxation of controls, then, holds more promise for lenders than it does for merchants or manufacturers. Outright abandonment of controls would most probably mean an extension from the current 18 months to 24 months' payments on automobiles and 36 months' payments on household appliances. Those were the almost universal maximums under conditions of free bargaining. The extra sales appeal to the automobile buyer is not as great as to the appliance buyer, (*Please turn to page* 120)





THE CHEMICALS

—A Study of Individual Company Potentials

By STANLEY DEVLIN

In the growth popularity contest conducted in the securities market since the war, no other industry has surpassed chemicals, and only the oils have come near equaling their record. The impressive progress of recent decades, the countless new products moving from research laboratories into commercial production, all mark the dynamic character of the chemical industry. Accomplishments have been so many and so astonishing that they might raise the question as to whether such a pace can be continued. Trade experts insist that it can, that the surface of achievement has only been scratched. Investors seem to go along with this thought; certainly current returns on chemicals bought at today's levels do little for the buyer's pocketbook.

This dual position sets the tone for any study of the chemical companies' position. Yields are modest, both in comparison to returns in recent years and in relation to the income it is possible to buy in other sound industrials. There are some signs which competent observers see as indicating a temporarily over-expanded capacity program.

Still, while one probably would not be justified in selecting chemicals as his best possible buy from a current investment standpoint, their popularity continues, obviously sparked by an optimistic estimate of their long-run potentials. Purchases of sound chemical stocks as present prices discounts a great deal of growth over the coming decade. If these potential gains are not realized, some usually wise investors are just now making some very foolish purchases. This is not likely but it is true that those speculatively-minded are naturally concerned with current market problems. In the event of a market decline, however, chemicals probably would resist more effectively which has been a characteristic of their market movements in recent years.

First point to consider in looking at chemical stocks is the nature of the business that accounts for its growth. Current developments should then provide some clues to projected earnings and probable dividends for the near term. There are so many types of chemicals than in a brief article it may be well to restrict study to industrial chemicals such as raw materials for plastics, synthetic fibers, fertilizers, pharmaceuticals and materials used in the paper, textile and rubber industries.

Further Expansion Ahead?

Production of chemicals has far surpassed the index of industrial production. The Federal Reserve Board index for 1951 averaged about 219% of the 1935-39 average, while chemical output approximated 297% of the comparable average. Yet there are still those who predict a great further expansion, based on the fact that in many industries synthetic products still account for no more than half of total production, with the remainder coming from natural products which chemistry hopes some day to supplant at least in part with synthetics. In dyes, for example at one end of the range, synthesis provides almost 100%. In paints and rubber the figure is 50%, and in textiles no more than 25%. With the

growth of wonder drugs in recent years, it is believed that synthetic materials probably account for more than 75% of medical supplies. Plastics are almost all synthesized.

Ninety per cent of ethical drugs are produced from chemicals. Synthetic rubber is more than half that industry's total supply. Detergents, used in large and growing volume, come from synthetic chemicals. In textiles new products made from chemical materials promise to expand substantially in the next few years as volume production brings down costs to compete with natural fibers.

A six-fold expansion is in prospect for the petrochemical industry, say investigators for the American Bankers Association, who found that investments in the Gulf Coast area grew to $750 million from $65 million before the war. Producers in this area are expected to raise investments to more than $1 billion by the end of this year.

Labor Not a Big Factor

In the light of expansion plans for the next year or two, investors may wonder if the industry may not be facing a period of overproduction and keener competition. Some slackening in demand has been observed in certain types of chemicals, but productive facilities are more easily diverted than in lines like steel, and the threat of overproduction is not as serious as it seems. Prices have eased in a few lines, but these developments probably reflect adjustments in which advances made a few months ago were greater than were justified. There seems to be no danger of a general decline in chemical prices.

The fact that labor is such a relatively low factor in production costs is reassuring, with pressure growing for another round of wage and price rises. If the spiral ever turns down, of course, it will be harder to lay off a plant than to lay off workers, so an advantage will pass to companies with higher labor costs.

Despite the high cost of new construction, vast sums have been appropriated for new plants. Industrial surveys indicate that chemical producers expect to devote about $1.5 billion to additional facilities this year, compared with $1.3 billion in 1951. It is suggested that expenditures in each of the next three years may average more than $1 billion annually. The fact that the industry can proceed so vigorously on new construction is explained by the ability of scientists to obtain improved profit margins on new equipment. In short, despite higher costs of plants, the return on the investment can be maintained, it is estimated. This is made possible partly by reason of relatively low labor factor in modern production facilities.

Moreover, much of the financing of plant expansion can be economically arranged. Loans from insurance companies and other institutional investors enable manufacturers to effect substantial tax savings, since interest charges come out of expenses prior to calculation of earnings on which high surtax and excess profits levies are imposed. It is not unusual to find that managements are actually able to earn more for stockholders through such borrowings than if no loans had been arranged. Under the circumstances, the cost of acquiring additional productive capacity is negligible under conditions that would not exist except for excess profits taxes.

Rapid Gains in Sales

An insight into this industry's strong position may be found in the fact that sales last year gained on the average something more than 20 per cent over 1950, while the latter year scored a gain of 25 per cent or more over 1949. Despite the fact that prices were raised only nominally in most cases,

Comparative Earnings and Dividend Records of Leading Chemical Companies

	Earnings Per Share			Dividends Per Share			Recent	Div.	Price Range	
	1951	1950	1949	1951	1950	1949	Price	Yield†	1952-51	
Air Reduction	$2.69	$3.15	$2.26	$1.40	$1.00	$1.00	26	5.3%	27⅞	24⅝
Allied Chemical & Dye	4.58	4.65	4.19	3.00	3.00	2.50	72½	4.1	77⅞	58
American Cynamid	8.08	9.00	5.28	4.00	4.62½	2.00	113½	3.5	131½	71¾
Atlas Powder	3.24	4.26	2.52	2.00	2.30	1.25	37½	5.3	44½	31
Columbian Carbon	3.39	3.81	3.69	2.25	2.25	2.00	59¾	3.7	60	39⅛
Commercial Solvents	2.22	1.96	1.28	1.25	1.25	1.50	27½	4.5	35⅛	22⅛
Davison Chemical	3.73	4.20	4.43	1.50	1.50	1.50	40	3.7	49	31½
Diamond Alkali	2.95	2.22	1.40	1.22½	1.12½	1.00	38¾	3.1	43	21¾
Dow Chemical	5.99	5.40	4.44	2.40[2]	2.00[2]	1.30	108	2.2	119½	77¾
Du Pont	4.64	6.58	4.52	3.55	5.35	3.40	85⅞	4.1	102½	82
Freeport Sulphur	2.63	2.82	2.46	1.83	1.83	1.33	39	4.7	49⅜	26
Hercules Powder	4.95	5.29	3.58	3.00	3.30	2.60	74¼	4.0	79	62
Heyden Chemical	1.92	1.88	.92	1.00	.80	1.00	20⅛	4.9	26⅛	18⅝
Hooker Electrochemical	3.46	3.84	2.64	2.00	2.00	1.20	60	3.3	69	42¼
International Minerals & Chemical	2.79	2.98	3.18	1.60	1.40[2]	1.00	35½	4.3	44⅞	25½
Koppers Company	6.32	6.81	4.03	2.50	3.00	2.00	45¾	5.5	49⅞	36
Mathieson Chemical	3.56[1]	3.26	2.54	1.70	1.50	1.06	48	3.5	49⅜	29
Monsanto Chemical	4.70	5.37	3.74	2.50	2.62½	2.00	94	2.6	109½	73
Nopco Chemical	4.51	5.18	2.24	1.45	1.50[2]	.80	25⅝	5.6	26⅜	17¾
Pennsylvania Salt Mfg.	3.30	4.02	3.30	2.00	2.25	1.80	60	3.3	71	52¾
Pittsburgh Coke & Chemical	4.08	4.77	3.14	1.25[2]	1.20	.95	32⅞	3.8	39¾	19¼
Rohm & Haas	7.48	8.92	6.09	1.60[2]	1.45[2]	1.00[2]	131	1.2	160¼	93⅞
Spencer Chemical	4.23	4.39	3.50	1.80	1.40	[3]	40¾	4.4	55	35½
Texas Gulf Sulphur	7.62	7.75	7.14	5.50	5.50	5.00	105⅜	5.2	119	90¾
Union Carbide & Carbon	3.61	4.31	3.20	2.50	2.50	2.00	61⅜	4.1	66⅜	53⅜
United Carbon	4.58	4.23	3.60	2.50	2.10	2.00	67⅝	3.7	70½	44½
U. S. Potash	3.33	3.13	2.62	2.00	1.75	1.70	31	6.4	34¾	28

†—Based on 1951 dividends.
[1]—Prior to change in capitalization.
[2]—Plus stock.
[3]—Not available.

Comprehensive Statistics Analyzing

Figures are in million dollars, except where otherwise stated.	Air Reduction	Allied Chemical & Dye	American Cyanamid	Atlas Powder	Commercial Solvents	Davison Chemical	Dow Chemical
CAPITALIZATION:							
Long Term Debt, Stated Value	$26.5	....	$46.4	$5.0	$10.0	$3.9	$62.3
Preferred Stocks, Stated Value	24.8	....	$15.4	6.8	....	....	$34.6
Number of Common Shares Outstanding (000)	2,736	8,856	4,167	542	2,636	642	6,616
Total Capitalization	$79.3	$44.2	$103.7	$22.7	$16.5	$4.5	$196.0
INCOME ACCOUNT: For Fiscal Year Ended	12/31/51	12/31/51	12/31/51	12/31/51	12/31/51	6/30/51	5/31/51
Net Sales	$118.1	$502.0	$388.7	$51.6	$61.1	$43.1	$339.5
Depreciation, Depletion, Amortization, etc.	$3.9	$14.8	$13.8	$1.1	$1.6	$1.3	$22.4
Income Taxes	$11.3	$66.1	$48.5	$3.3	$5.4	$3.1	$69.0
Net Available for Interest	$20.6	....	$89.0	$5.4	$11.4	$6.6	$42.3
Interest	$.8	....	$1.2	$.1	$.1	$.2	$1.6
Preferred Dividend Requirements	$.1	....	1.1	$.2	....	....	$1.3
Balance for Common	$7.3	$40.5	$33.6	$1.7	$5.8	$2.6	$39.1
Operating Margin	16.6%	20.2%	17.5%	10.4%	16.9%	14.9%	31.6%
Net Profit Margin	6.3%	8.0%	8.8%	3.9%	9.5%	6.2%	11.9%
Percent Earned on Invested Capital	8.2%	14.9%	15.2%	7.8%	15.5%	10.2%	16.0%
Current Price of Common	$26.00	$72.00	$115.0	$38.00	$28.00	$39.00	$109.00
Price-Earnings Ratio	9.6	15.7	14.2	11.7	12.6	9.3	18.1
BALANCE SHEET: Fiscal Year Ended	12/31/51	12/31/51	12/31/51	12/31/51	12/31/51	6/30/51	5/31/51
Cash and Marketable Securities	$45.0	$126.3	$105.0	$8.3	$11.1	$8.1	$47.6
Inventories, Net	18.8	$52.5	$80.1	$8.8	$15.4	$5.4	$48.8
Receivables, Net	16.1	$41.8	$35.9	$5.7	$7.1	$3.7	$42.7
Current Assets	$79.9	$220.7	$221.0	$22.9	$32.7	$17.3	$139.1
Current Liabilities	23.0	$92.8	$97.9	$6.9	$9.0	$2.5	$108.9
Net Current Assets	$56.9	$127.9	$123.1	$16.0	$23.7	$14.8	$30.2
Fixed Assets, Net	$58.5	$188.8	$132.7	$14.7	$20.9	$14.7	$279.1
Total Assets	$141.1	$718.4	$374.1	$38.3	$57.8	32.6	$427.1
Book Value Per Share	$24.25	$34.00	$51.36	$35.65	$14.25	$40.78	$33.68
Net Current Assets Per Share[1]	$2.01	$14.44	14.69	$7.67	$5.21	$17.00	....
Cash Assets Per Share	$16.44	$14.26	$25.19	$15.32	$4.21	$12.61	$7.19
Current Ratio	3.4	2.4	2.2	3.3	3.6	6.9	1.3
Inventories, as Percent of Sales	15.9%	10.4%	20.6%	17.1%	25.3%	12.5%	14.3%
Inventories, as Percent of Current Assets	23.5%	23.8%	36.2%	38.5%	47.3%	31.2%	35.1%
Total Surplus	$38.0	$227.5	$171.1	$8.2	$30.9	$25.5	$121.4

1—After deducting prior obligations.

operating margins in 1951 were aided by larger volume and increased productive efficiency. Earnings showed moderate declines in the case of most companies, but this experience traced largely to higher tax rates.

Gains in sales could be attributed primarily to development of new products which contributed to larger volume and to increased industrial activity requiring larger amounts of raw materials. An absence of labor trouble accounted to some extent for improvement in production of certain raw materials.

Factors in Current Large Output

Prospects for this year are reassuring because the pronounced uptrend in sales of new pharmaceuticals and agricultural chemicals is likely to be maintained. Industrial chemical demand should be well sustained unless military requirements are sharply curtailed. The fact that customers using chemical products produce virtually the same materials whether for civilian or military needs is a factor in maintaining a high rate of activity. Thus chemical producers are faced with few problems in transition from civilian to military orders.

First quarter results generally have been reasonably satisfactory in spite of a slower demand for chemicals going into consumer goods channels. Sales to the textile industry, for example, have been declining for several months, and only in recent weeks have shown tentative indications of stabilizing or turning upward. Shipments to the paper and rubber industries have been slackening moderately in reflecting a dip in production in these major consuming areas. Producers of plastics also have been reducing inventories of raw materials, and demand for chemicals in this business has been less active. Slight signs of a turn for the better have been noted and producers are hopeful of improved results in the second quarter.

Plastics manufacturing has become a major outlet for chemicals. It is estimated that 5,000 or more producers of plastics will market upward of $1 billion worth of goods this year. Production of raw materials for plastics has accounted in large measure for phenomenal growth of Dow Chemical, Monsanto and Union Carbide & Carbon.

Position of Leading Chemical Companies

duPont	Hercules Powder	Heyden Chemical	Hooker Electro-Chemical	International Mineral & Chemical	Mathieson Chemical	Monsanto Chemical	Rohm & Haas	Union Carbide & Carbon	United Carbon	U. S. Potash
....	....	$5.2	$3.6	$12.7	$41.0	$30.3	$1.4	$150.0	....	....
$268.8	$9.6	$13.2	$5.0	9.8	$18.0	$15.0	6.1	....	....	....
45 175	2,664	1,066	971	2,000	3,143	4,868	865	28,806	795	1,050
$494.7	$25.3	$16.6	$13.4	$32.5	$74.7	$71.7	$24.8	$354.5	$11.9	$4.5
12/31/51	12/31/51	12/31/51	11/30/51	6/30/51	12/31/51	12/31/51	12/31/51	12/31/51	12/31/51	12/31/51
$1,545.6	$216.8	$29.8	$38.4	$66.2	$91.2	$272.8	$106.8	$927.5	$33.3	$14.8
$83.9	$8.0	$1.4	$1.7	$2.8	$5.3	$11.0	$3.4	$42.9	$3.8	$.6
$371.2	$30.2	$3.7	$6.9	$3.1	$11.9	$39.3	$15.5	$164.4	$2.3	$1.4
....	....	$7.3	$10.6	$10.0	$22.1	$64.8	$21.7	$272.4	$6.2	....
....	....	$.1	....	$.4	$.7	....	$.1	$4.0	$.2	....
$11.1	$.4	$.3	$.2	$.4	$.1	$.5	$.2	....	....	....
$209.6	$13.2	$2.0	$3.3	$6.1	$9.5	$22.9	$6.5	$103.8	$3.6	$3.4
32.3%	20.0%	23.2%	25.6%	15.0%	24.2%	22.6%	20.0%	27.7%	18.3%	32.1%
14.3%	6.2%	8.0%	9.3%	9.8%	10.5%	8.5%	6.3%	11.2%	10.9%	23.6%
16.0%	17.8%	9.0%	13.3%	10.8%	11.4%	14.0%	14.0%	17.7%	12.5%	28.8%
$86.00	$74.00	$20.00	$60.00	$35.00	$48.00	$94.00	$131.00	$61.00	$67.00	$31.00
18.5	14.9	10.4	17.3	11.4	15.8	20.0	17.5	16.9	14.6	9.3
12/31/51	12/31/51	12/31/51	11/30/51	6/30/51	12/31/51	12/31/51	12/31/51	12/31/51	12/31/51	12/31/51
$206.7	$32.9	$12.8	$3.2	$15.6	$16.1	$39.8	$4.8	$197.0	$5.2	$3.7
$204.3	$33.6	$5.1	$4.9	$12.5	$16.4	$45.1	$20.7	$175.8	$4.0	$.1
$118.4	$17.1	$2.0	$4.6	$5.6	$11.6	$31.1	$9.0	$97.0	$2.7	$1.2
$529.5	$83.7	$20.1	$12.8	$33.8	$44.2	$116.1	$34.6	$469.9	$12.0	$5.1
$112.6	$39.6	$4.1	$4.6	$3.1	$14.1	$52.3	$22.0	$237.3	$4.5	$1.5
$416.9	$44.1	$16.0	$8.2	$30.7	$30.1	$63.8	$12.6	$232.6	$7.5	$3.6
$513.1	$46.2	$14.8	$20.5	$41.5	$137.7	$129.5	$35.4	$478.0	$21.6	$7.1
$2,162.9	$131.6	$35.7	$35.1	$76.2	$192.3	$262.0	$71.2	$978.0	$35.1	$13.6
$24.82	$26.71	$12.03	$22.45	$25.25	$21.39	$32.69	$48.22	$20.51	$38.46	$11.56
$3.28	$13.00	....	....	$4.01	....	$3.38	$5.84	$2.98	$9.50	$3.43
$4.59	$12.34	$12.00	$3.29	$7.80	$5.12	$8.17	$5.54	$6.84	$6.54	$3.59
4.7	$2.1	4.9	2.8	10.9	3.1	2.2	1.5	2.0	2.7	3.4
13.2%	15.5%	17.3%	12.9%	18.8%	18.1%	16.5%	19.4%	18.9%	12.2%	.6%
38.6%	40.1%	25.7%	38.9%	37.0%	37.3%	38.8%	60.0%	37.4%	33.9%	1.8%
$884.3	$50.0	$14.9	$16.9	$40.5	$51.0	$125.7	$24.4	$379.7	$17.1	$7.6

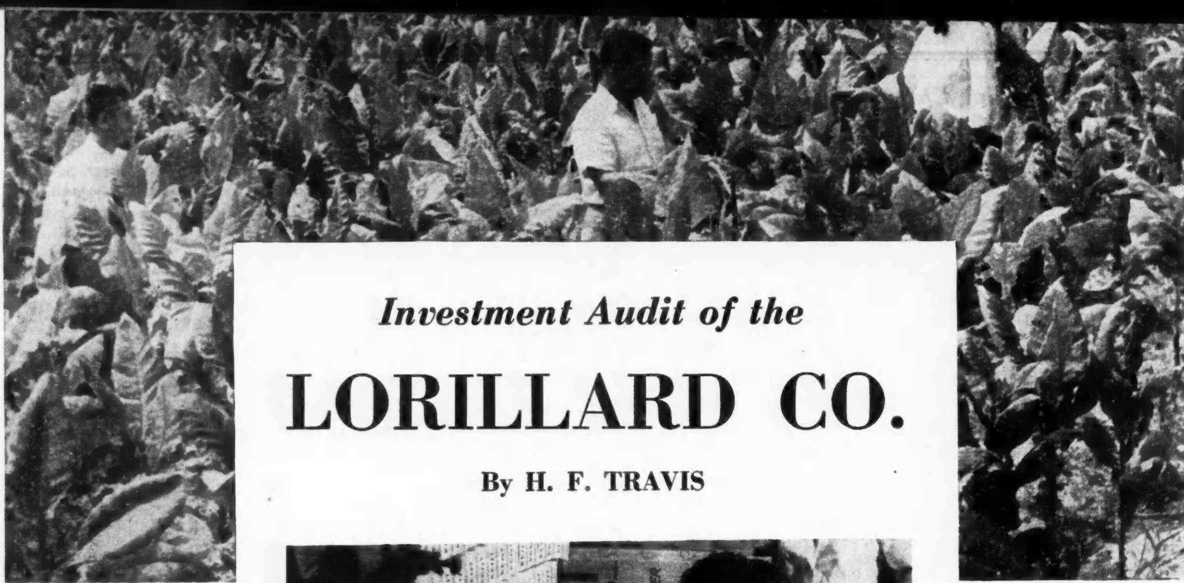
Outstanding progress is contemplated in the next few years in production of new chemical fibres—such as nylon, dynel, orlon, acrilan and vicara. The Chemstrand Corporation, owned by American Viscose and Monsanto, is expected to begin the production of acrilan and nylon within a comparatively short time, and great things are envisioned from this project.

Conservative Dividends Indicated

Among the chemicals for which strong demand is anticipated this year sulphur is prominent. Despite indications of increased output, especially from petroleum sources, prospective demand is expected to exceed the supply. Principal producers, including Texas Gulf Sulphur and Freeport, appear likely to experience a high rate of operations for the entire year. As a matter of fact, exports to overseas customers probably will be held within limits well under normal requirements. Hence, if production could be boosted to levels exceeding domestic needs, foreign customers would readily take any additional output, it is believed. Current prices afford a reasonable profit margin, and it seems doubtful whether control authorities would approve any increase unless producers could show excessive cost advances.

Although higher tax rates and increased wage rates seem likely to cause some narrowing in profit margins and counteract the beneficial effect of larger volume, earnings of representative chemical producers are expected to compare favorably with 1951 results. The need for appropriating additional earnings for expansion seems likely to dictate a conservative dividend policy in most instances. Research activities and enlargement of facilities cost large sums, and this explains the fact that the chemical industry probably appropriates the largest percentage of gross income to research and to construction of any major industry.

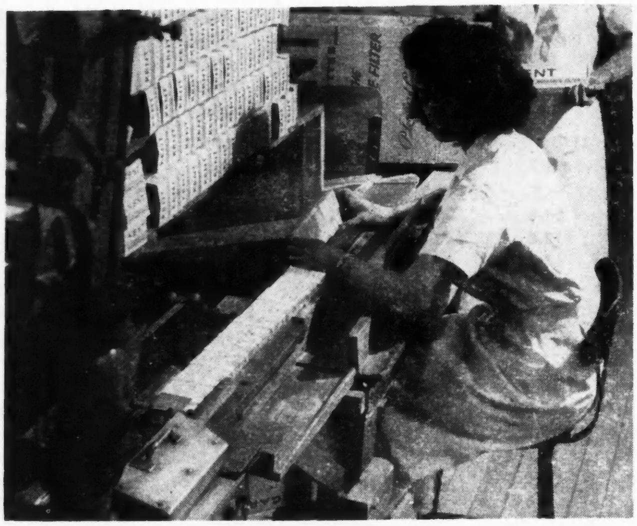
Investors may look forward, therefore, to continuance of comparatively low dividends in relation to earnings and to current market prices of representative shares. Encouraging prospects of stability of earnings, through diversification of products and dependence on consumer goods industries, compensate investors for a low yield, however. Earning power is less subject to wide fluctuations than in the case of heavy (*Please turn to page* 120)



Investment Audit of the

LORILLARD CO.

By H. F. TRAVIS



P. Lorillard Co., makers of Old Gold cigarettes, is the nation's oldest tobacco firm. The company was founded nearly two centuries ago by a young French immigrant, Pierre Lorillard. Pierre sold both pipe tobacco and snuff from a small shop in New York town on the High Road to Boston. The business remained a family institution until the late 1800's when the company joined the American Tobacco Co. combine. When this monopoly was broken up in 1911, Lorillard returned to its former independent status. No member of the Lorillard family is in the firm today.

The company ranks as the fifth largest United States cigarette producer, and is an important domestic producer of cigars, smoking and chewing tobaccos. Besides Old Golds, which accounted for more than 82% of the company's total sales in 1950, P. Lorillard Co. makes and sells Embassy cigarettes—a king-sized brand—and two blends of Turkish cigarettes, which it retails under the trade names Murad and Helmar. Its most important smoking tobacco brands are India House, Briggs, Friends and Union Leader. Standard sized cigars manufactured by the company include Muriel and Headline. It also makes little cigars, which it sells under the name Between the Acts and Van Bibber. Its most important chewing tobacco brands are Beech-Nut, Bagpipe and Havana Blossom. In 1950 cigarettes accounted for 83.6% of its total sales, tobacco 9.5%, cigars 4.5% and miscellaneous 2.4%.

Last month the company began selling Kent cigarettes, a new filtered brand. The original inventory accumulated for the introductory campaign was sold out even before the campaign started. Earlier this month at the annual meeting in New York, the management told the company's 26,000 stockholders that while production of Kents then was still running behind demand, it expected to double production of Kents within a month and to double it again by the end of May.

While Lorillard is among the first of the industry's leaders to latch on to the current trend to filtered cigarettes, it hasn't always been quick to follow public taste trends. Blended cigarettes of domestic and imported tobaccos were introduced to the American market during the First World War and soared to popularity during the early post-war years. Lorillard, during this period, steadfastly confined its production to Turkish-type cigarettes. It wasn't until 1926 that it began selling Old Golds, a blend of domestic Virginia and imported Turkish tobaccos. By that time Lucky Strikes, made by American Tobacco; Camels, made by R. J. Reynolds, and Chesterfields, made by Liggett & Myers, were firmly established. To promote Old Golds Lorillard's advertising agencies had to come up with some new twists in advertising. Many of the now accepted merchandising promotion techniques were conceived in the earliest day of Old Golds.

The company today is one of the most aggressive advertisers in the most advertising conscious field of American industry. Last year it spent some $7.6 million (the company gives no actual figure) to tell American smokers "We're Tobacco Men, Not Medicine Men" and "Old Golds Cure Just One Thing—The World's Best Tobacco." Television absorbs the bulk of Lorillard's advertising budget—because the company finds it "our most potent medium"—as well as the most expensive. Lorillard credits advertising

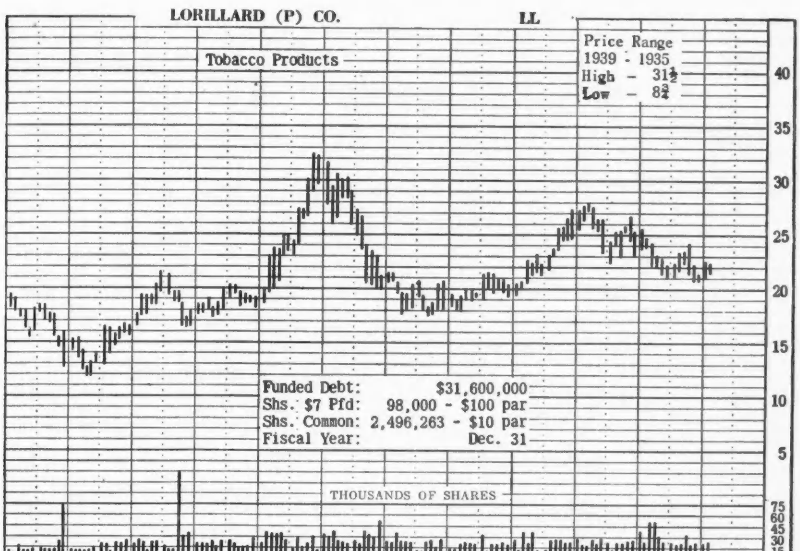
with the fact that 1951 from a sales standpoint was the best in the company's history. Sales reached a record $188,447,431, a better than average 12% gain over 1950's total of $167,936,931. But 1951 from an earnings standpoint was a disappointment. Higher costs for materials and a 12% larger advertising budget cut the company's profit margin to 6.5% from 8.1% with the result that taxable income fell 14%. With taxes, including E. P. T. absorbing some 52% of available net, earnings fell 24% to $5,126,472 or $1.78 a common share from $6,737,768 or $2.69 a share in 1950.

Unless the O. P. S. shortly grants the company a requested cigarette price increase of 25 cents per thousand, close followers of the situation don't look for any material earnings improvement in 1952. Cigarette sales are expected to extend their gain and the company is anticipating that an intensive television and radio budget will again result in better than average gains for Lorillard products. But the company, in common with the industry, has been pretty badly squeezed by an increase of more than 150% in the cost of raw tobacco prices. Leaf tobacco represents nearly 75% of the cost of cigarettes. Direct labor and factory overhead costs add another 10%. But the wholesale price of cigarettes, including tax has increased only 37% since 1939. During the same period, wholesale prices for other commodities have risen an average of 131%.

To offset rising costs Lorillard's manufacturing division has been aggressively trying to improve the company's product quality standards and to increase production, as well as to effect operating economies. Lorillard has three big plants, one at Jersey City, N. J., which makes Old Gold's, one in Louisville, Ky., which makes other cigarettes and smoking and chewing tobacco and one at Richmond, Va., which produces cigars. The company also operates leaf departments and warehouses at Louisville and Lexington, Ky., Lancaster, Pa., Danville and Richmond, Va., as well as Evansville, La Crosse and Madison, Wis. Storage space is leased at various other points throughout the country.

Camparative Balance Sheet Items

	December 31 1942	1951 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 5,187	$ 8,197	+$ 3,010
Receivables, Net	7,702	9,401	+ 1,699
Inventories	64,048	101,995	+ 37,947
TOTAL CURRENT ASSETS	76,937	119,593	+ 42,656
Net Property	6,808	14,201	+ 7,393
Other Assets	759	1,691	+ 932
TOTAL ASSETS	$84,504	$135,485	+$50,981
LIABILITIES			
Notes & Deb. Payable	$20,000	$ 26,600	+$ 6,600
Accounts Payable	2,101	3,405	+ 1,304
Accruals	222	1,598	+ 1,376
Tax Reserves	4,621	6,332	+ 1,711
TOTAL CURRENT LIABILITIES	26,944	37,935	+ 10,991
Long Term Debt	11,496	31,000	+ 19,504
Preferred Stock	9,800	9,800	....
Common Stock	18,723	24,963	+ 6,240
Surplus	17,541	31,787	+ 14,246
TOTAL LIABILITIES	$84,504	$135,485	+$50,981
WORKING CAPITAL	$49,993	$ 81,658	+$31,665
OPERATING RATIO	2.8	3.1	+ .3



1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	
1.44	1.70	1.31	1.30	1.27	1.26	2.15	2.21	2.73	2.69	1.78		EARN.
1.20	1.20	1.20	1.00	1.00	1.00	1.50	1.50	1.75	1.85	1.50		DIV.
48.7	49.9	69.9	70.2	71.4	69.4	69.8	69.5	70.4	69.9	81.6		Wkg Cap $ Mil

During 1951 the company completed a new modern air-conditioned factory at Louisville and converted a warehouse at its Louisville plant from storage to manufacturing. It installed new high-speed cigarette making machinery at its Jersey City, N. J., properties. And in Richmond, Va., major improvements begun in 1950 to the cigar factory were completed. The company closed its outdated Middletown, Ohio, plant and transferred production of this facility to its new and enlarged Louisville plant where it takes only about one-third as much floor space. The Middletown factory was sold in January, 1952.

Before World War II the dollar value of Lorillard inventories remained fairly constant. But sharply higher tobacco prices caused an inventory problem for the industry during and following the War. By December 31, 1951, Lorillard's inventories had reached a record $88,118,882, up from $74,585,496 a year earlier and from $39,929,748 on December 31, 1941. They would be even still higher today if the industry during the war years had not found means for reducing the aging of tobacco from three years to nearer two.

Rising inventories have necessitated the company's raising additional working funds out of all proportion to profit increases of the past decade. At December 31, 1951, Lorillard's short-term bank debt hit a record $26 million, up from $18,700,000 at December 31, 1950. Just before the war Lorillard had no bank debt whatever and had only a $9 million bank

% Gain—Sales, Excluding Excise Taxes

1939 equals 100

	Lorillard	American Tobacco	R. J. Reynolds	Liggett & Myers	Philip Morris
1951	252	334	312	245	*
1950	223	305	291	237	439
1949	203	295	282	241	368
1948	186	290	267	238	326
1947	171	265	251	218	240
1946	160	233	208	184	242
1945	158	181	159	164	236
1944	161	175	146	166	272
1943	149	165	144	139	248
1942	121	141	125	118	178
1941	103	108	112	115	132

*Fiscal year ends 3/31 of following year.

debt as recently as 1949. The company's present long-term debt consists of $160,000,000 of 20-year 3% debentures, due October 1, 1963, and $15 million of 3% 25-year debentures, due March 1, 1976. The latter issue and 249,600 shares of additional common stock were sold in March, 1951 to retire $6,195,450 of 5% bonds, to reduce bank loans and to provide additional working funds. The only other senior securities outranking Lorillard's 2,496,282 shares of common stock are 98,000 shares of non-redeemable $7 preferred stock.

Working Capital Adequate

Lorillard's greatest cash requirements usually are between September and March, which is the leaf buying period and are at a minimum in the summer prior to the buying season. At latest report the firm's financial position appeared adequate. Working capital at the 1951 year-end, including cash of $7,530,826 and $9,124,404 of manufactured stock and revenue stamps totaled $81,658,131, up from $69,907,553 at the close of 1950.

Lorillard directors have pursued a liberal dividend policy towards common stockholders since payments were resumed in 1932. Between 1944 and 1946, when earnings averaged $1.27 annually the board ordered dividends totaling $1 a share annually. The rate was upped to $1.50 a share in 1947 and to $1.75 a share in 1949 and to $1.85 a share in 1950. Last year payments were cut back to $1.50 a share. So far this year one quarterly dividend of 30 cents a share was paid and dividends should continue at this rate at least.

Recent Years Show Sales Gain

Lorillard's annual report for 1951 dramatically emphasizes the present day costs of doing business. It reprints for shareholders' nostalgic interest its annual statement for 1913. Sales figures for that year are not reported, but net operating income is stated at $5,377,863 and net income after preferred dividend requirements totaled $3,283,159, while total assets stood at $53,392,082. Lorillard's assets in the past four decades have risen to $135,485,396. But 1951 operating income, before taxes last year totaled only $10,943,472 and net income was only $5,131,000.

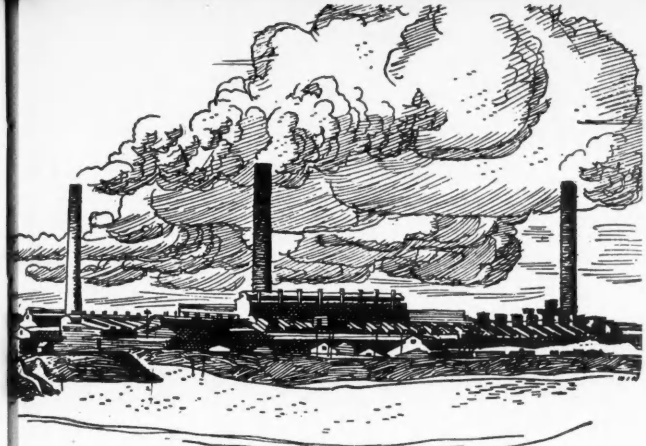
In the early post-war years 1946 and 1947 Lorillard from a sales gain standpoint fell sharply behind the industry's Big Three—American Tobacco Co., Liggett & Myers Tobacco Co. and R. J. Reynolds Tobacco Co. But in the years 1948-51 Lorillard with Philip Morris & Co. led the industry by chalking up the widest year to year sales gains.

But Lorillard always has encountered more difficulty in carrying its gross through to net than the other leading cigarette companies. This has been because of the larger proportion of its output accounted for by other tobaccos and its greater promotion budgets relative to sales.

From the stock market viewpoint, it may be said that the stock has been fairly stable for a considerable period, having sold in a five-point radius in 1951 of from around 20-25. At current prices of around 23, it is hovering slightly above halfway the extremely narrow 1952 range of (*Please turn to page* 124)

Long Term Operating and Earnings Record

	Net Sales (Millions)	Operating Income (Millions)	Operating Margin	Income Taxes (Millions)	Net Income (Millions)	Net Profit Margin	Net Per Share	Div. Per Share	Percent Earned on Invested Capital	Price Range 1942-51
1951	$188.4	$ 12.4	6.5%	$5.8	$5.1	2.7%	$1.78	$1.50	7.7%	25½-20¾
1950	167.9	13.3	7.9	5.8	6.7	4.0	2.69	1.85	11.0	28 -22⅛
1949	153.5	12.0	14.1	4.3	6.8	8.0	2.73	1.75	8.0	27⅜-19⅛
1948	140.2	10.0	12.8	3.4	5.6	7.2	2.21	1.50	9.9	21⅜-18
1947	127.9	9.8	13.8	3.3	5.5	7.7	2.15	1.50	10.0	21½-17⅝
1946	124.0	6.7	10.0	2.1	3.5	5.2	1.26	1.00	6.5	31¾-20
1945	126.4	8.5	13.0	4.1	3.5	5.3	1.27	1.00	6.7	32½-18⅞
1944	123.7	10.7	15.9	6.3	3.6	5.3	1.30	1.00	5.3	20⅜-17⅜
1943	117.3	9.3	14.8	4.7	3.5	5.7	1.28	1.20	6.9	21½-16¼
1942	100.5	8.0	15.9	3.4	3.9	7.7	1.72	1.20	8.5	16⅝-11½
10 Year Average 1942-50	$136.9	$ 10.0	12.4%	$4.3	$4.7	5.8%	$1.83	$1.35	8.0%	32½-11½



FIVE SOUND STOCKS

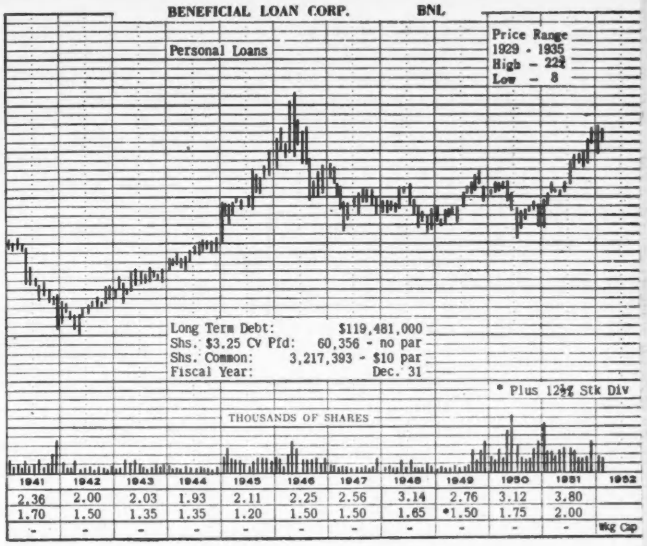
- *With Attractive Yields*

Because of higher taxes and the higher cost of living, investors these days are often compelled to seek a greater return from their investments to compensate for their increased expenses. This is not so simple a matter in a market in which the better grade stocks have advanced, over a period of years, to a point where their yield is no longer considered adequate by the individual dependent for income on his securities. On the other hand, high yields on common stocks often denote an element of risk.

However, opportunities do occur where the two requisites of good income and reasonable security may be found. Generally, this combination exists in stocks which are sound enough but which do not normally attract speculative interest. Yields in such cases are not excessive, but at the same time are greater than in the prime issues. Actually, the soundest common stocks now yield between 4½% and 5½%. Those of a grade somewhat lower but still quite sound yield between 6% and 7% and, in some instances, somewhat more.

To be of the greatest practical service to investors desirous of securing a higher income from their stocks without at the same time adding greatly to the risk, we have selected five issues which, we believe, qualify from the standpoint of both income and security. All of these companies have been tested over a period of years and have proved that they possess well-established earning power and a long dividend record. All of them are leaders in their respective fields. All of them are in good financial position.

We believe that the appeal of these stocks will be rather to those individuals who desire a better-than-average yield than to those who are seeking price appreciation primarily. In order to present as complete information as possible, we have added pertinent charts and tables giving essential facts on stock trends and balance sheets.



BENEFICIAL LOAN CORPORATION

BUSINESS: This is one of the two leading companies in the personal loan field. It is a holding company, controlling well over 200 subsidiaries which operate about 700 offices in 36 states, and also in Canada with 47 offices. Most loans do not exceed $300.

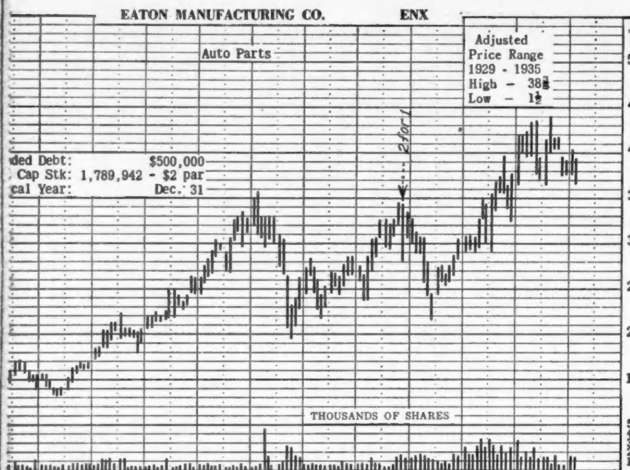
OUTLOOK: The company had an excellent year in 1951, with net income of $26.6 million against $19.7, the year previous. Despite an increase in Federal income taxes of from $5.8 million to about $9 million, net income rose to $12.4 million from $9.9 million in 1950. This amounted to $3.80 a share on the common stock compared with 1950 figures of $3.08 a share. Earnings were aided by an additional allowance by the Treasury of $2 million for losses incurred through bad debts, always an important item with finance companies. The steady increase in operating income over the past decade has been exceptionally noteworthy, having risen during this period from about $25 million to the 1951 figure of $60.6 million. The rise since 1950 was especially sharp, with a gain of $16.5 million. The strong forward surge in earnings is indicated by a comparison of 1946 with 1951. In the former year, net per share was $2.25 and in the latter about 70% higher. The comparison is all the more striking in consideration of the increase in cost of operation—mainly higher interest rates and taxes. Loan demand is very high and the backlog is about 43% higher. The outlook for 1952 would seem to indicate continued high income though income taxes will have an increasing impact. However, EPT is small, amounting to only $489,000 in 1951. The 5% stock dividend paid early this year will have a slightly diluting effect on per share earnings. In any case, the margin of earnings is considerably in excess of the dividend rate and is likely to continue so.

DIVIDENDS: The current rate is 50 cents quarterly, or $2 per annum, having been increased from $1.75 a share in 1950. The cumulative convertible preferred stock pays $3.25 in dividends, and is convertible into the common at the rate of 2.70 shares of the latter for each share of preferred.

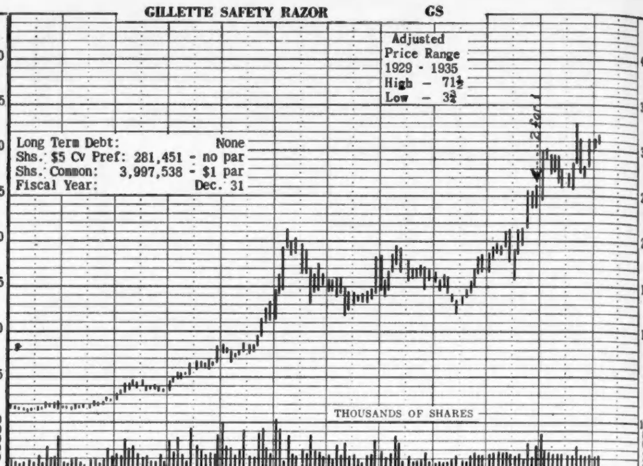
MARKET ACTION: Recent price—32⅛, compared with a 1951-52 range of High—32¾, Low, 21½. At current prices, the yield is 6.4%.

COMPARATIVE BALANCE SHEET ITEMS

	December 1942	1951 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 6,663	$ 28,786	+$ 22,123
Installment Notes Receivable	67,439	237,295	+ 169,856
Other Receivables, Net	009	166	+ 157
Real Estate	097	1,435	+ 1,338
Office Equipment	1,216	2,643	+ 1,427
Other Assets	391	5,878	+ 5,487
TOTAL ASSETS	$75,815	$276,203	+$200,388
LIABILITIES			
Notes Payable	$ 5,000	$ 46,833	+$ 41,833
Accounts Payable	3,166	4,116	+ 950
Accruals	4,311	10,716	+ 6,405
Tax Reserve	3,485	9,305	+ 5,820
Other Liabilities	680	4,047	+ 3,367
Reserves	....	500	+ 500
Long Trem Debt	19,082	119,878	+ 100,796
Preferred Stock	7,500	9,854	+ 2,354
Common Stock	16,618	32,223	+ 15,605
Surplus	15,973	38,731	+ 22,758
TOTAL LIABILITIES	$ 75,815	$276,203	+$200,388



1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	
.10	2.15	2.59	2.65	2.40	2.01	4.17	6.16	4.61	7.11	5.75		EARN.
.50	1.50	1.50	1.50	1.50	1.50	2.50	3.50	3.00	4.00	3.00		DIV.
.3	10.2	10.1	12.0	15.7	21.4	20.0	21.8	24.5	28.2	29.0	Wkg Cap $ Mil	



	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952
EARN.	.41	.41	.52	.62	.87	2.28	2.56	3.40	3.13	3.81	3.58	
DIV.	.22½	.22½	.35	.40	.60	1.25	1.18¾	1.50	1.62½	2.43¾	2.50	
Mil	4.9	6.1	6.5	7.9	8.4	15.2	19.1	17.8	21.8	20.4	22.6	Wkg Cap $ Mil

EATON MANUFACTURING COMPANY

BUSINESS: This is one of the leading manufacturers of automotive and aircraft parts. The company manufactures a miscellaneous list of important products such as truck axles, valves for diesel engines, pumps and lubricating pumps, etc.

OUTLOOK: Last year's sales were $186.7 million against $148.3 million in 1950. However, operating income did not rise proportionately owing to higher costs of operation, combined with higher taxes, which rose approximately $8.6 million. The result was a decline in net income from $12.7 million to $10.2 million. This, however, was in reality a very good accomplishment in consideration of the severe impact of taxes. The increase in taxes alone amounted to about $5 a share. Net per share for 1951 was $5.75 against $7.11 the year previous. Like all parts manufacturers, Eaton is affected by the decline in passenger car production. Nevertheless, this is offset by the still high truck production and, especially, the demand for other products such as aircraft parts. Lessened civilian production is compensated for by an increase in production for the defense program. The outlook for this year is for sustained high volume of sales and net profits approximately the same as for 1951. Operating margins are satisfactory, the company having an excellent reputation for efficient handling of its affairs. It is considered among the most stable in this more or less volatile industry. For the five years, 1947-51, earnings have averaged $5.55 a share. The financial strength of the company is indicated by the fact that cash and marketable securities alone at the end of last year were 120% of current liabilities. The company, with only a nominal amount of bonds outstanding, has one class of stock amounting to 1,789,000 shares. In only one year (1932) has it failed to earn a profit; generally profits have been of substantial proportions.

DIVIDENDS: The current rate is $2 annually, supplemented by two 50-cent extras, covered comfortably last year and likely to be covered by an adequate margin in the current year. The company has paid dividends without a break for the past quarter century.

MARKET ACTION: Recent price—40, compared with a 1951-54 range of High—44, Low—36¼. At current prices, the yield is 7.5%.

COMPARATIVE BALANCE SHEET ITEMS

	December 1942	1951 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 6,191	$ 20,397	+$ 14,206
Receivables, Net	7,503	15,337	+ 7,834
Inventories	12,448	22,099	+ 9,651
Other Current Assets	1,172	....	— 1,172
TOTAL CURRENT ASSETS	27,314	57,833	+ 30,519
Net Property	8,292	25,301	+ 17,009
Other Assets	2,770	884	— 1,886
TOTAL ASSETS	$ 38,376	$ 84,018	+$ 45,642
LIABILITIES			
Notes Payable	$	$ 1,480	+$ 1,480
Accounts Payable	3,594	7,898	+ 4,304
Accruals	2,359	2,617	+ 258
Tax Reserve	11,125	16,783	+ 5,658
TOTAL CURRENT LIABILITIES	17,078	28,778	+ 11,700
Reserves	2,659	....	— 2,659
Funded Debt	....	450	+ 450
Capital Stock	2,871	3,559	+ 688
Surplus	15,768	51,231	+ 35,463
TOTAL LIABILITIES	$ 38,376	$ 84,018	+$ 45,642
WORKING CAPITAL	$ 10,236	$ 29,055	+$ 18,819
CURRENT RATIO	1.5	2.0	+ .5

GILLETTE COMPANY

BUSINESS: This is the most important manufacturer of safety razors and blades; also shaving cream and products marketed under name of "Toni", featuring home permanent wave kits. Gillette products are sold throughout the world.

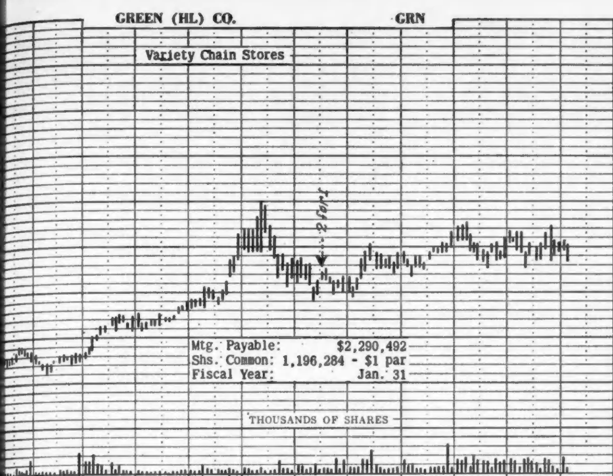
OUTLOOK: Acquisition of the Toni Company in 1948 considerably broadened the base of operations for Gillette and rendered it less subject to conditions in the razor blade industry. Almost one-quarter of the total volume of business is acounted for by the Toni division, which in addition to the popular home kits for permanent waves also manufactures shampoo and rinse products which are in great demand by the feminine population. Net sales for Gillette were $102.7 million in 1951 against $99.3 million in 1950. With income taxes about even for the two years, net income in 1951 was $14.7 million against $14.9 million in 1950. Earnings per share were $3.34 and $3.40 respectively after special charges. Without these charges, earnings would have been $3.59 a share for 1951, and $3.81 a share for 1950. In 1947-48-49 earnings were $2.56, $3.40 and $3.13 a share, respectively. Apparently, the company has been able to achieve a moderately higher level in earnings. Approximately one-third of earnings are derived from foreign activities, with plants located in Canada, Mexico, England, France, Germany, Switzerland, Argentina and Brazil. Sales efforts have been advanced through a highly co-ordinated program and advertising and development of new markets. In this respect, the company occupies a commanding position in the industry. Gillette taps the low-priced consumers' market, affording considerable stability in operations. It is believed that 1952 earnings will at least approximate those of 1951. This prospect is enhanced by the company's favorable EPT exemption, estimated at about $3 a share.

DIVIDENDS: Quarterly dividends are 50 cents a share, augmented by a 50-cent extra last year. In view of the satisfactory earnings and strong financial position, 1952 dividends should equal those of last year.

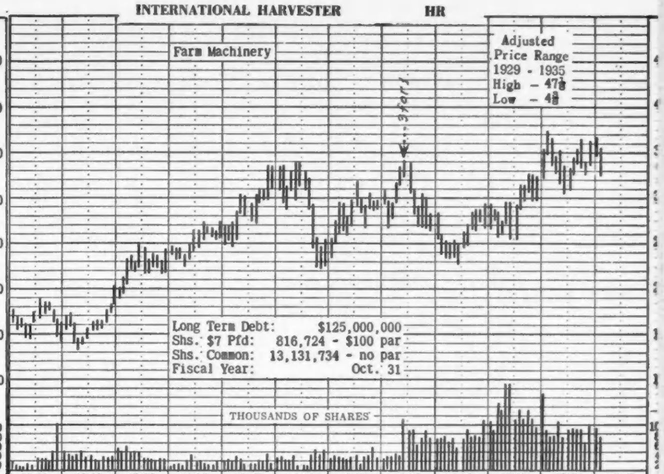
MARKET ACTION: Recent price—33, compared with a 1951-52 range of High—33⅝, Low 24⅛. On the basis of 1951 dividends of $2.50 a share, the indicated yield at current prices is about 7.5%.

COMPARATIVE BALANCE SHEET ITEMS

	1942	1951 (000 omitted)	Change
ASSETS			
Cash	$ 2,103	$ 10,229	+$ 8,126
Marketable Securities	4,595	19,108	+ 14,513
Receivables, Net	1,316	3,321	+ 2,005
Inventories	2,091	8,902	+ 6,811
TOTAL CURRENT ASSETS	10,105	41,560	+ 31,455
Net Property	1,946	5,532	+ 3,586
Investments	7,153	6,742	— 411
Intangibles	10,233	....	— 10,233
Other Assets	593	724	+ 131
TOTAL ASSETS	$ 30,030	$ 54,558	+$ 24,528
LIABILITIES			
Accounts Payable	$ 515	$ 1,858	+$ 1,343
Accruals	500	4,976	+ 4,476
Tax Reserve	2,952	12,090	+ 9,138
TOTAL CURRENT LIABILITIES	3,967	18,924	+ 14,957
Reserves	....	232	+ 232
Preferred Stock	2,250	2,111	— 139
Common Stock	1,999	3,998	+ 1,999
Surplus	21,814	29,293	+ 7,479
TOTAL LIABILITIES	$ 30,030	$ 54,558	+$ 24,528
WORKING CAPITAL	$ 6,138	$ 22,636	+$ 16,498
CURRENT RATIO	2.5	2.2	— .3



	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952
EARN.	1.55	1.81	1.89	2.00	2.21	5.15	4.76	4.97	4.14	4.47	3.53	
DIV.	1.25	1.25	1.25	1.25	1.50	1.87½	2.37½	2.50	2.50	2.50	2.50	
Wkg Cap $ Mil	7.6	8.3	8.5	9.9	10.6	16.0	17.1	18.1	17.7	18.5	18.2	



	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952
EARN.	1.95	1.65	1.56	1.53	1.47	1.30	3.35	3.92	4.36	4.72	4.36	
DIV.	1.00	.83	.83	.95	1.00	1.00	1.22	1.70	1.70	1.95	2.30	
Wkg Cap $ Mil	254.0	286.0	300.5	309.6	317.7	270.0	233.3	241.4	225.9	232.1	241.9	

GREEN (H. L.) COMPANY, INC.

BUSINESS: This company operates a chain of variety and junior department stores in the United States and Canada, with the latter accounting for about one third of the outlets. The bulk of the merchandise is sold in between the five-cent and one dollar categories. The company has distributed its business evenly between the rural and urban districts of both countries.

OUTLOOK: This company, over a period of years, has established a stable business catering to the lower-income groups and therefor not markedly subject to violent fluctuations in public demand, even in extreme periods. For the past decade, earnings have ranged from $3.50 a share to $4.50 a share. The difference of about $1 million in net income in the fiscal year ended Jan. 31, 1952, as compared with the previous year, was due mainly to an increase of about $6 million in costs as against a rise of only $4.5 million in sales. This situation, however, was typical of other concerns in the sam field. Generally, the outlook for variety stores and junior department stores is more favorable than for the previous year as consumers are approaching the point where they must commence to replenish stocks, especially in the low-priced field. While sales for the first quarter of the year were probably lower than for the same period last year, the rate of decline has lessened and it is likely that the first half of the year will show a reversal to better figures. Actually, improvement has already set in with February showing a gain of 5% in sales, compared with a 2½% decline in January, both figures showing changes for the respective months as between 1952 and 1951. Working capital has remained constant since 1950, standing at about $18 million. Inventories at the end of the fiscal year were approximately $1 million less than for the previous year. The company handles its inventory problems with great efficiency. This is considered one of the best managed of the chain group, with well-established earning power.

DIVIDENDS: The current dividend rate is $2.50 a share, including a 50-cent extra. The earnings margin is sufficient to maintain this rate.

MARKET ACTION: Recent price, 36, compared with a 1951-52 High—44½, Low, 35¾. At current prices, the yield is about 7%.

COMPARATIVE BALANCE SHEET ITEMS

	January 31 1942	(000 omitted) 1951	Change
ASSETS			
Cash & Marketable Securities	$ 3,043	$ 6,371	+$ 3,328
Receivables, Net	463	642	+ 179
Inventories	9,073	16,615	+ 7,542
TOTAL CURRENT ASSETS	12,579	23,628	+ 11,049
Net Property	5,648	19,274	+ 13,626
Investments	3,138	096	— 3,042
Other Assets	929	1,629	+ 700
TOTAL ASSETS	$ 22,294	$ 44,627	+$ 22,333
LIABILITIES			
Accounts Payable	$ 1,356	$ 1,856	+$ 500
Accruals	1,124	2,864	+ 1,740
Tax Reserves	2,426	671	— 1,755
TOTAL CURRENT LIABILITIES	4,906	5,391	+ 485
Reserves	500	....	— 500
Long Term Debt	6,138	1,375	— 4,763
Common Stock	598	1,196	+ 598
Surplus	10,152	36,665	+ 26,513
TOTAL LIABILITIES	$ 22,294	$ 44,627	+$ 22,333
WORKING CAPITAL	$ 7,673	$ 18,237	+$ 10,564
CURRENT RATIO	2.5	4.4	+ 1.9

INTERNATIONAL HARVESTER COMPANY

BUSINESS: This company is the foremost manufacturer of miscellaneous types of agricultural machinery. Principal products are small-sized tractors, trucks, gasoline and diesel equipment, and also refrigeration equipment. Int. Harvester is completely integrated, from production of raw materials to manufacture and distribution of its own products.

OUTLOOK: Earnings of this company are characteristically stable. In 1951 (fiscal year ends Oct. 31), earnings were $4.36 a share, compared with $4.72 a share in 1950, $4.36 a share in 1949 and $3.92 a share in 1948. For the past decade, earnings have ranged, roughly, between $4 and $5 a share. With demand for farm equipment remaining at high levels, owing to the prosperous condition of the agricultural regions, the company has had no difficulty in finding its accustomed broad market. Its chief problem has been to obtain the requisite amounts of materials which have been in short supply, owing to the defense program. Signs of easement in this respect are commencing to appear. The truck part of the business is active and has been stimulated by a large volume of defense orders. An increasing volume of foreign business is noted, with combined sales for Int. Harvester Export Co. and Int. Harvester Co. of Canada, Ltd., accounting for 13.8% of the volume of sales in 1951, compared with 11.2% in 1950. The strong position of Harvester in the export field is a factor which should have an important bearing on earnings in the future. This is especially true of the Canadian end of the business which should benefit markedly from the enormous expansion in all fields of Canadian industrial and agricultural activity. Financial position is very satisfactory, with about $241 million in working capital, an amount which has remained relatively constant over the past few years, despite the huge increase in net property account since the war of from $156 million to the current figure of close to $300 million. Taxes bore heavily on profits in 1951, the increase being about $55 million, equivalent to over $4 a share. Earnings for 1952 are expected to approximate those of the preceding year.

DIVIDENDS: The current rate is $2 per annum, supplemented by an extra of 30 cents a share in 1951. Based on the wide earnings coverage and strong financial position, dividends should amount to at least the same in 1952.

MARKET ACTION: Recent prices, 33, compared with 1951-52 range of High—37⅜, Low, 31½. At current prices, the yield is 7%.

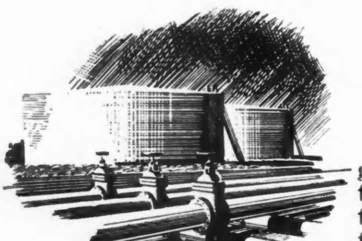
COMPARATIVE BALANCE SHEET ITEMS

	1942	1951 (000 omitted)	Change
ASSETS			
Cash	$ 26,929	$ 90,515	+$ 63,586
Marketable Securities	135,289	57,864	— 77,425
Receivables, Net	79,344	75,022	— 4,322
Inventories	125,944	275,995	+ 150,051
TOTAL CURRENT ASSETS	367,506	499,396	+ 131,890
Net Property	97,842	296,403	+ 198,561
Investments	50,397	103,866	+ 53,469
Other Assets	2,035	9,795	+ 7,760
TOTAL ASSETS	$517,780	$909,460	+$391,680
LIABILITIES			
Accounts Payable & Taxes	$ 75,804	$249,422	+$173,618
Accruals	5,764	7,994	+ 2,320
TOTAL CURRENT LIABILITIES	81,478	257,416	+ 175,938
Other Liabilities	659	....	— 659
Reserves	76,757		— 76,757
Preferred Stock	81,672	81,672	....
Common Stock	169,829	420,216	+ 250,387
Surplus	107,385	150,156	+ 42,771
TOTAL LIABILITIES	$517,780	$909,460	+$391,680
WORKING CAPITAL	$286,028	$241,981	—$ 44,047
CURRENT RATIO	4.5	1.9	— 2.6


The Oil Industry

— In A Changing Economy

By
GEORGE L. MERTON



One quickly-grasped measure of the vast growth of the oil industry is the fact that oil and gas stocks listed on the New York Stock Exchange alone have a recent market value of $20 billion! This assesses these companies at one-fifth the value of all common stocks on the Big Board. With the smaller companies, listed on the Curb or unlisted, and the vast United States holdings abroad, American investment in the oil industry may easily approximate $30 billion.

What, in the face of many signs of hesitation in the world-wide postwar boom, are the chances that the industry will repay the confidence of the investors who have advanced these vast sums? The answer must vary with the principal interest of the specific companies. Refining capacity has reached a point where some of the major companies are beginning to wonder if expansion in that field isn't being overdone, although the government still encourages further building.

Fuel oil inventories have been increasing all through the warm winter just ended. Gasoline stocks are 5% above those of April, 1951, giving rise to local price wars like the ones which have been plaguing New Jersey dealers. Wholesale markets for refined products are beginning to weaken. Prices for both light and heavy fuel oils at wholesale have been sinking gradually on a broad front. Refiners will probably head off any retail price cutting by reducing runs to stills, but that, too, reduces sales volume.

Refiners' profits per barrel are down nearly 4% since the turn of the year. Barring extension of the Korean conflict to a world-wide scale, the industry appears to have reached a leveling-off or even a slowing-down point. It was a masterful feat of oil technology to pick up the load, both in production and refining, when the great Abadan refinery went off stream and Iranian oil ceased to be shipped. Dr. Mossadegh's intransigence makes Iran apparently a negligible factor in world oil for months or years to come, but a reversal in tactics is not out of the question, and Iran's return to production would embarrass the producers and refiners who so ably filled that country's place in the market. Moreover, European refineries, being erected for the last two years for the purpose, are now able to meet Mediterranean demands so fully that a decline of as much as 15% in American exports of petroleum and its products in 1952 is not too much to expect.

Producers' Long-Range Outlook Bright

In the producing end of the oil business the general outlook still appears optimistic, because production is a longer-range proposition than refining. (Actually, of course, the only market for production is refining, and in point of fact every substantial company does both, but the two activities do diverge somewhat.) Dieselization of the railroads has opened

a new market for furnace oils, which serves to balance the output of refineries. This is in some degree offset by the fact that on such railroads as Atchison, Southern Pacific, some Missouri Pacific lines and Rock Island diesels are replacing crude oil burning locomotives. The diesels use less of one component of the crude oil than was burned—with all the other components—by the crude-oil-fueled steam locomotives.

Any real decline in heavy burning oil would expand its market in competition with coal under utility companies' boilers. Where utility expansion has had to take place on present factory grounds, some utilities are even locked into the use of oil by lack of space for disposal of ash and storage of coal. The millions of new one-family dwellings built since the war have shown a great preference for oil over anthracite.

Basic to the rising oil demand is the vast increases in the number of automobiles, busses and trucks on the highways, a number which will continue to increase even under restriction of adding new vehicles.

One enormous advantage of oil production over other industrial activities lies in the depletion allowance which reduces oil producers' taxes. Corporate taxes, as long as they can be passed on, contribute to a rising price level. The oil producers are beneficiaries of the rise, and do not, as do their neighbors in industry, have to turn around and pass on all their gains to the tax-gatherer. It is not certain that this advantage will survive forever. The earnest Senator Douglas of Illinois is out to ascertain a proper depletion allowance scientifically. While political friends of the oil companies have stymied him so far, he does not give up easily.

Meanwhile the Defense Production Administrations is giving every support it can to an expansion program for domestic and foreign operation which envisages drilling of 80,000 oil wells in this country and 10,000 abroad between July, 1952, and December, 1953. Geologists encourage the oil seekers by their estimates that eventually a billion acres of United States land may be found to be underlain by petroleum deposits. That is 100 times the areas thus far productive of oil, and will call for much more than 100 times as much drilling cost as has been spent heretofore. This because modern wildcatting, in cost and complexity, compares to generation-ago drilling as the earlier ventures compared to sticking a straw in a soda. Of a million oil wells drilled since the Drake well came in at Titusville, Pa. in 1859, fewer than 1,000 have gone below 12,000 feet, and most of the oil has come from 5,000 feet or less.

Williston Yielded to Deep Drilling

The great Williston Basin, center of oil interest today, was explored at lesser depths for 30 years before Amerada brought in its discovery well at Tioga, North Dakota, in April, 1951. While shallower fields may be found offshore from Texas, Louisiana, and California, and some Southern states may yet produce major fields, the Williston Basin's deep wells are today the glamour area of the oil speculator. This area lies both in northern United States and southern Canada—about 100,000 square miles covering the western half of North Dakota, northern half of South Dakota, eastern Montana and parts of southwest Manitoba and southeast Saskatchewan. The three main areas of discovery have been the Nesson Anticline of North Dakota, where Amerada has developed the Beaver Lodge Field; the Baker Glendive Anticline of central east Montana, where Shell and Texas have found oil; and northeastern Montana, where the Carter-Phillips, East Poplar discovery lies.

Amerada, whose stock has multiplied fabulously over the years, is solidly entrenched in Williston, with six or seven producing wells. Shell, Texas, Carter-Phillips and others are drilling (or have com-

Comparative Earnings & Dividend Record of Leading Oil Companies

	Earnings Per Share			Dividends Per Share			Recent	Div.	Price Range
	1951	1950	1949	1951	1950	1949	Price	Yield†	1952-51
Amerada Petroleum	$ 5.17	$ 4.88	$ 4.56	$ 3.00	$ 3.00	$ 2.50	217¾	1.3%	234 -80½
Atlantic Refining	12.20	10.90	7.92	4.00[1]	2.75	2.00	90	4.4	91¾-60¼
Cities Service	14.71	14.58	14.87	5.00	5.00[1]	3.50	110	4.5	120½-82½
Continental Oil	4.25	4.36	3.74	2.50[1]	2.50	2.00	72	3.4	73¾-48¼
Creole Petroleum	8.00[2]	6.45	4.49	5.75	3.40	3.00	76⅛	7.5	85 -52⅜
Gulf Oil	6.17	4.90	4.45	2.00[1]	2.00	1.87½	56⅜	3.5	58⅝-44
Humble Oil & Ref.	5.25[2]	3.60	3.35	2.25	2.00	2.00	80½	2.7	86½-51⅛
Imperial Oil, Ltd.	1.15[2]	1.12	.93	.65	.55	.50	40⅜	1.6	40⅝-25⅞
Lion Oil	4.37	5.97	3.89	2.00	1.87½	1.50	43	4.6	46¼-37½
Mid-Continent Petrol.	9.18	8.43	6.50	3.75	3.25	3.00	72¾	5.1	81¾-53¼
Ohio Oil	6.35	5.69	5.13	3.00	2.70	2.30	59½	5.0	60⅜-43¼
Phillips Petroleum	5.11	4.24	3.68	2.30	1.75	3.00	57⅛	4.0	58⅞-39⅝
Plymouth Oil	4.24	3.50	2.46	1.30	1.00	2.00[1]	35¾	3.6	37⅛-25¾
Pure Oil	7.88	7.06	6.22	2.50	2.00	2.00	67¼	3.7	69¼-46⅛
Richfield Oil	7.05	5.76	5.11	3.50	3.00	2.50	58⅛	6.0	62¾-50⅛
Seaboard Oil	5.26	4.99	4.71	2.75	2.60	2.00	92	3.0	103¼-74
Shell Oil	7.20	6.99	5.67	3.00	3.00	3.00	81¼	3.7	87 -51
Sinclair Oil	6.78	5.81	4.52	2.50	2.50	2.00	46¼	5.4	47⅜-34¼
Skelly Oil	10.82	9.92	10.00	3.25	2.75	2.50[1]	95¼	3.4	102¼-52½
Socony-Vacuum Oil	5.08	4.03	3.09	1.80	1.35	1.10	39⅞	4.5	40⅝-25⅛
Standard Oil of Calif.	6.05	5.26	4.74	2.60	2.50[1]	2.00[1]	54⅛	4.8	55¼-44
Standard Oil of Indiana	9.71	8.09	6.72	2.25[1]	2.00[1]	2.00[1]	88¼	2.5	92 -59
Standard Oil of N. J.	9.00[2]	6.74	4.46	4.12	2.50	2.00[1]	78	5.2	85 -45⅝
Standard Oil of Ohio	5.56	5.30	4.26	2.20	2.00	2.00	45½	4.9	47⅞-33⅜
Sun Oil	6.85	6.02	3.77	1.00[1]	1.00[1]	1.00[1]	85⅞	1.2	94¾-67¼
Sunray Oil	2.23	2.13	2.81	1.15	1.00	1.00	23	5.0	24⅝-17⅜
Texas Company	6.50	5.41	4.82	3.05	3.25	1.87½	57⅞	5.2	60⅜-44¾
Texas Pacific Coal & Oil	3.85	3.38	3.58	1.65	1.50	1.75	44¼	3.7	49 -34⅞
Tide Water Associated Oil	5.75[2]	5.17	4.20	2.15	1.90	1.60	47⅜	4.5	50 -31⅝
Union Oil	5.01	3.09	3.69	2.00	2.00	2.37½	43¾	4.5	45¼-33⅞

†—Based on 1951 dividend. [1]—Plus stock. [2]—Estimated.

Comprehensive Statistics Analyzing

Figures are in millions, execpt where otherwise stated.	Atlantic Refining	Cities Service	Continental Oil	Gulf Oil	Ohio Oil	Phillips Petroleum
CAPITALIZATION:						
Long Term Debt, Stated Value	$37.4	$363.0	$.3	$185.0	....	$92.6
Preferred Stocks, Stated Value	35.2	13.1[3]	....	....	....	....
Number of Common Shares Outstanding (000)	3,584	3,887	9,716	22,690	6.563	14,423
Total Capitalization	$162.5	$460.2	$48.9	$752.0	$98.7	$381.5
INCOME ACCOUNT: For Fiscal Year Ended	12/31/51	12/31/51	12/31/51	12/31/51	12/31/51	12/31/51
Net Sales or Gross Operating Income	$560.9	$828.8	$379.7	$1,439.3	$209.3	$610.0
Depletion, Amortization, etc.	$5.0	....	$1.7	$69.9	$1.6	$10.6
Depreciation, Retirements, etc.	$17.8	$50.6	$14.7	$67.0	$15.7	$36.4
Intangible Developments Costs, Losses on Leases, etc.	$7.8	....	$33.0	....	....	$12.6
Income Taxes	$23.9	$50.7	$17.3	$103.9	$16.2	$22.2
Net Available for Interest	$45.4	$75.2	$58.5	$252.2	....	$76.6
Interest (Bonds & Long Term Debt)	$.9	$11.8	....	$5.0	....	$2.9
Preferred Dividend Requirement	$1.3	$.7[3]	....	....	....	....
Balance for Common	$43.7	$57.1	$41.2	$140.0	$41.6	$73.7
Operating Margin	11.8%	14.4%	14.7%	16.9%	28.3%	16.0%
Net Profit Margin	8.3%	6.9%	10.8%	9.7%	19.9%	12.1%
Percent Earned on Invested Capital	12.6%	12.1%	15.6%	14.1%	17.8%	12.9%
Current Price of Common	$88.00	$109.00	$73.00	$57.00	$58.00	$58.00
Price Earnings Ratio	7.2	7.4	17.1	9.2	9.1	11.3
BALANCE SHEET: Fiscal Year Ended	12/31/51	12/31/51	12/31/51	12/31/51	12/31/51	12/31/51
Cash and Marketable Securities	$29.1	$160.6	$24.1	$285.0	$48.6	$49.6
Inventories, Net	$78.1	$98.7	$44.0	$153.4	$27.8	91.0
Receivables, Net	$36.1	$55.0	$30.2	$162.7	$19.5	$52.7
Current Assets	$148.2	$314.4	$98.4	$601.2	$95.9	$193.4
Current Liabilities	$76.7	$119.4	$47.5	$275.5	30.9	$107.3
Net Current Assets	$71.5	195.0	$50.9	$325.7	65.0	$86.1
Fixed Assets, Net	$315.9	618.2	$189.8	$780.6	$146.0	$562.2
Total Assets	$481.5	972.7	$312.1	$1,511.6	$265.0	$779.6
Book Values Per Share	$91.88	107.64	$27.16	$43.72	$35.65	$40.07
Net Current Assets Per Share[2]	....	....	$5.20	$6.19	$9.90	....
Cash Assets Per Share	$8.11	$41.34	$2.48	$12.55	$7.46	$3.43
Current Ratio	1.9	2.6	2.0	2.2	3.1	1.8
Inventories as Percent of Sales	13.9%	11.9%	11.6%	10.6%	13.3%	14.9%
Inventories as Percent of Current Assets	52.7%	31.4%	44.7%	25.5%	29.0%	47.1%
Total Surplus	$232.0	$374.5	$215.1	$424.8	$135.2	$279.6

1—Plus stock.

2—After deducting prior obligations.

pleted) some 40-50 additional wells. The stock market has probably substantially discounted the immediate potentialities of the new field. Price advances in the stocks of the companies interested in Williston currently runs into hundreds of millions of dollars. With oil in the ground figured at only about 60c a barrel, it will take proven reserves of hundreds of millions of barrels to recoup holders of these stocks for the added market value. While Williston Basin may prove a bonanza for some companies, there is a fair possibility that some enthusiastic buyers of low priced issues may encounter headaches if and when the stock boom collapses.

Two railroad stocks have been beneficiaries of the boom—Northern Pacific and Canadian Pacific—both of which hold mineral rights over wide areas in or near the Basin. Northern Pacific's holdings date from the early days when it received checkerboard land grants from Washington to encourage construction. Great Northern Railway, unfortunately, disposed of its holdings and rights years ago.

What is the position of the oil industry as a whole? Total world reserves of petroleum (only) at the end of 1950 were estimated at 94 billion barrels, of which the U. S. contributed about 25 billion, Canada 1, South America (principally Venezuela) 11, Russia and her satellites 6, and the Middle East 48. The astounding reserves in the Middle East include 15 billion barrels in Kuwait, 13 in Iran, 9 in Iraq and 10 in Arabia. The big U. S. oil companies, together with the British government, have been actively developing the Middle East oil fields as well as those in Venezuela.

Production At New Peak in 1951

U. S. production of oil and natural gas liquids reached a new peak of nearly 2.5 billion barrels last year and will probably be higher this year. New discoveries and additions to old fields added over 5 billion barrels, so there was a net gain in proved reserves of 2.5 billion barrels to a total of 32 billion

Position of Leading Oil Companies

Pure Oil	Richfield Oil	Shell Oil	Sinclair Oil	Skelly Oil	Socony Vacuum Oil	Standard Oil of Calif.	Standard Oil of Indiana	Sun Oil	Texas Company	Union Oil
$22.0	$50.0	$132.0	$215.3	$12.9	$169.5	$98.5	$250.3	$6.8	$180.2	$84.9
$44.2	....	....	....	....	....	....	....	$9.3	....	$23.7
3,982	4,000	13,470	12,077	2,873	31,801	28,673	15,320	6,636	27,510	5,266
$110.4	$124.4	$334.1	$283.1	$78.2	$651.1	$452.9	$675.6	$323.5	$866.6	$240.3
12/31/51	12/31/51	12/31/51	12/31/51	12/31/51	12/31/51	12/31/51	12/31/51	12/31/51	12/31/51	12/31/51
$329.1	$183.6	$1,072.4	$808.9	$197.1	$1,528.5	$975.3	$1,539.1	$576.3	$1,416.8	$261.7
....	....	$7.9	....	....	$49.5	....	$35.8	$2.6	$13.6	....
$20.5	$12.1	$52.8	$40.0	$20.1	$49.5	$86.7	$51.1	$21.7	$57.0	$23.9
....	$3.3	$47.3	$14.5	$10.0	....	$33.3	....	$30.7	$64.3	$21.0
$22.0	$26.3	$107.0	$37.2	$10.6	$83.3	$88.5	$91.7	$21.9	$82.6	$14.0
$54.2	55.6	$100.3	$125.2	$42.1	$166.1	$264.2	$252.5	$67.9	$184.3	$29.4
$.8	$1.1	$3.3	5.6	$.3	$4.5	$2.1	$6.1	$.4	$3.7	$2.1
$2.2	....	....	....	....	....	....	....	$.4	....	$.9
$31.3	$28.2	$97.0	$81.8	$31.0	$161.6	$173.3	$148.6	$44.9	$178.7	$27.2
15.9%	29.9%	18.3%	14.5%	21.3%	12.6%	20.2%	15.1%	11.4%	18.8%	16.1%
10.2%	15.3%	9.0%	10.1%	15.7%	10.5%	17.7%	9.6%	7.8%	12.6%	10.4%
12.2%	20.5%	17.7%	14.9%	16.1%	12.3%	16.2%	11.3%	14.3%	14.9%	10.5%
$67.00	$59.00	$81.00	$47.00	$97.00	$40.00	$55.00	$88.00	$85.00	$57.00	$43.00
8.5	8.3	11.2	6.9	9.0	7.8	9.1	9.0	12.4	8.7	8.6
12/31/51	12/31/51	12/31/51	12/31/51	12/31/51	12/31/51	12/31/51	12/31/51	12/31/51	12/31/51	12/31/51
$36.4	$33.9	$85.1	$130.9	$14.1	$196.6	$187.3	$221.3	$48.0	$169.1	$21.2
$48.7	$24.1	$131.8	$124.3	$25.1	$252.4	$112.7	$215.6	$69.0	$227.8	$25.3
$22.7	$18.1	$94.2	$65.6	$16.7	$161.2	$109.5	$116.3	$34.8	$119.6	$38.5
$107.9	$76.2	$317.6	$320.8	$56.0	$610.3	$409.6	$553.2	$151.8	$516.7	$85.1
$27.4	$14.5	$114.1	$110.3	$27.6	$261.7	$177.1	$236.2	$58.4	$131.0	$35.0
$80.5	$61.7	$203.5	$210.5	$28.4	$348.6	$232.5	$317.0	$93.4	$385.7	$50.1
$214.6	$119.5	$429.6	$530.7	$176.00	$880.7	$903.4	$1,137.8	$219.9	$844.1	$280.6
$331.5	$202.2	$792.1	$879.9	$233.8	$1,792.4	$1,365.5	$1,800.5	$379.0	$1,549.4	$381.2
$26.52	$34.43	$40.53	$45.44	$67.19	42.46	$37.99	$83.00	$46.36	$44.47	$44.86
$2.48	$2.92	$5.31	....	$5.36	$5.59	$4.81	$1.60	$11.64	$7.47	....
$9.14	$8.47	$6.31	$10.83	4.90	$6.18	$6.53	$14.44	$7.23	$6.15	$4.02
4.0	5.2	2.8	2.9	2.0	2.3	2.3	2.3	2.5	3.9	2.4
14.8%	13.1%	12.3%	15.3%	12.7%	16.5%	11.5%	14.0%	11.9%	16.0%	9.6%
45.1%	31.6%	41.5%	39.9%	44.8%	41.3%	27.5%	39.0%	45.4%	44.1%	29.7%
$186.3	$63.0	$343.9	$480.0	$127.2	$826.7	$711.7	$888.5	$60.7	$509.8	$103.8

[3]—Subsidiary obligations.

barrels.

Much of the increase in market prices of oil stocks over the past year or so has been supported by increased share earnings and dividends, but part of the gain has been due to public interest in the oil group with resulting higher appraisal of earnings and dividends, in the form of higher price earnings ratios and lower yields. With any slight recession in the rate of growth (which now seems indicated) public interest may slacken somewhat, except in special situations in connection with new discoveries. Many of the big oil stocks are already receding from their highs, though others such as Standard Oil of California are still making progess on the upside. It appears to be time to become more selectively bullish on the industry, with careful reappraisal of the prospects for individual companies.

Most oil companies which are in the producing field alone—Amerada, American Republics, Houston, Louisiana Land, Pacific Western, Seaboard, Superior, Texas Gulf Producing, Texas Pacific Coal & Oil, etc.—are relatively small, with total assets under $100 million cash. The integrated companies, which combine production, pipeline, refining, and marketing operations, are far bigger. It is here that the billion-dollar oil giants are found—Standard Oil of New Jersey, Texas, Socony, Standard Oil of California, Gulf, and Standard Oil of Indiana. Several others—Cities Service, Humble, Phillips, Shell, Sinclair, and Creole—exceed the half-billion size. Others whose assets range around $100-400 million are Atlantic Refining, Continental, Mid-Continent, Ohio Oil, Pure Oil Co., Richfield, Skelly, Standard Oil of Ohio, Sun, Sunray, Tidewater, and Union Oil. Smaller, but growing fast, is Lion Oil with its expansion into chemical fertilizers and with a remarkable price enhancement from 3 to 43 in 9 years. It is practicable to comment here on only the largest of these companies (considered alphabetically):

Cities Service's record has been complicated by divestment of its substantial utility holdings required under the *(Please turn to page 124)*

FOR PROFIT AND INCOME

History

The recent new major high in the Dow rail average was of dubious bullish significance on a number of counts. It was due mainly to strength in a minority of special-situation rails, including oil-angle rails. It came more than a year after the average's preceding high had been recorded. It came about six months after attainment of the last previous high in the industrial average, which has still to be bettered. Rails have frequently topped after industrials, temporarily looking good in the process of doing so. That was so following major or intermediate advances in 1937, 1938, 1939, 1941, 1946 and 1948. It is not argued here that renewal of the bull market in industrials is impossible. Without it, however, the aftermath of a push in rails could well be a general reaction or important decline, as was so in the six instances heretofore cited.

Dividends

In March there were 28 instances in which dividends were reduced or omitted, compared with 7 a year ago. There were 28 dividend boosts, against 62 a year ago. The number of extra payments totalled 38, compared with 65 in March, 1951. Like the old gray mare, the dividend news ain't what it used to be. Due to increases in many regular rates effected in late 1950 and early 1951, total payments last year rose to $9.4 billion, a new peak, comparing with 1950's $9.2 billion. Due to generous extras, payments reached a peak annual rate of $11.1 billion in the fourth quarter of 1950, whereas in the 1951 final quarter they were at a rate of only $9.8 billion, an uncommonly small increase over the third and second quarter rates of $9.6 billion. Dividends will hold up better than earnings this year, but the total is likely to be at least moderately under last year's. This will break a trend, total payments having risen for the six consecutive years 1946-1951, inclusive.

Groups

As usual by the end of the first quarter, all published annual-price-range figures for both stock groups and individual stocks shift from 1951-1952 to 1952 only. Especially in a market of restricted fluctuation, in which minor price changes can put many stocks to new 1952 highs or lows—which is to say highs or lows for a period of less than three and a half months, as this is written – the significance of apparent divergences in performance may easily be exaggerated in many instances. However, the following merit comment: The oil group recently reached a new all-time high; finance-company stocks set a new cyclical high; the same, of course, goes for rails; autos, auto parts and building stocks have met with more favor than in a long time but remain under former major highs. Among stock groups in high favor not so long ago, drugs have sagged under their January-February reaction low; while chemicals, coppers, air transport, paper and tire stocks continue in a "range of hesitation" mostly well under their 1951 or early 1952 highs.

Strikes

"Never sell stocks on strike news" used to be a familiar, and

INCREASEES SHOWN IN RECENT EARNINGS REPORTS

		1951	1950
Fansteel Metallurgical Corp.	Year Dec. 31	$2.36	$1.86
Diamond T Motor Car	Year Dec. 31	2.10	.78
Electric Boat Co.	Year Dec. 31	4.53	1.52
Chicago Corp.	Year Dec. 31	1.34	1.08
N. Y. City Omnibus Corp.	Year Dec. 31	2.84	.74
Sun Oil Co.	Year Dec. 31	6.85	6.02
Creole Petroleum Corp.	Year Dec. 31	7.82	6.45
Republic Aviation Corp.	Year Dec. 31	2.92	2.34
Barber Oil Corp.	Year Dec. 31	7.02	3.62
Sperry Corp.	Year Dec. 31	5.36	4.72

sound, Wall Street adage. But that was before we had monopoly-unions able to dominate wage policy of whole key industries with the aid of a pro-Labor national Administration; and before we had politically-colored wage-price control boards in time of peace. So the old adage is no longer pat. Under present competitive conditions, with consumers allergic to high prices, many industries find it difficult or impossible to obtain even permitted OPS prices; and OPS policy clearly is not to permit full recovery of higher wage costs in any event, as has been demonstrated in the steel-industry crisis up to this writing. The central question in any major wage dispute today is whether the outcome will result in a further squeeze on profits. Obviously, that is of real investment importance.

General Motors

Because of the company's huge size and the tremendous number of its outstanding shares, General Motors has long been regarded as a key stock. Some analysts have used its relative behavior, among other gadgets, as a market-trend indicator. However, any empirical approach to market trends is always of dubious value. Under normal conditions the fortunes of General Motors certainly reflect general business tendencies, and the action of the stock is a fairly good reflection of general investment sentiment. But that obviously cannot be true in a semi-war economy, wherein the company must cut its regular-line output, at large cost to profits, and shift partly to low-margin defense work. This stock made a major high of 54¾ in October, 1950, failing for a long time thereafter to better it. Anyone taking the latter fact as prophetic would have been badly wrong; for the industrial average continued its zig-zag bull trend until the autumn of 1951, and it is not yet clear whether it has made its final high for this cycle. Meanwhile many stocks went to town in phases of the 1951 or early 1952 advance, which amounted pretty much to individual-group bull markets. This history may be of some interest since General Motors recently set a new major high of 55⅛ and has reacted only slightly from it in a moderately softish market up to this writing. The prophetic significance of said new high for the general market is probably nil, and it is questionable even as regards General Motors itself. A new high by a fraction is no signal of further important advance.

Background

Studebaker has also recently bettered its 1950 top. This means that two of the three leading auto stocks reached new all-time highs; while the other one, Chrysler, was less than 10% under its earlier all-time high at recent best levels. On what? It is not only true that earnings, well down in 1951 from the record 1950 level, will be down somewhat further this year; but also true that we have had the automobile boom. Production will be moderately higher this year than had been expected earlier, but that would seem to be a tenuous basis for a bull market in auto stocks. It will very likely go lower in the deflationary post-defense adjustment, and the question when it might return to the high 1950, or 1951, levels is both conjectural and long-term. Intrinsically, these three stocks, and especially GM, have above-average merit; but they are indubitably cyclical. Their advanced prices strike this column as more of an invitation to profit-taking than to buying, particularly for longer-term objectives.

Earnings

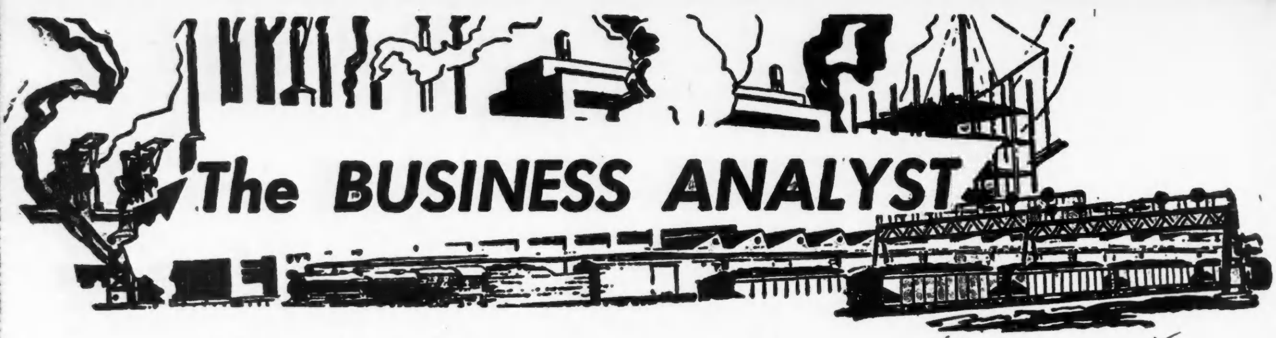
Taxes are not solely responsible for the squeeze on corporate profits. Total pre-tax earnings fell considerably in the last nine months of 1951, and they will probably be under the 1951 average this year. Taxes, of course, will be higher, since the present rates applied to only three quarters of 1951. So a material further shrinkage in over-all earnings is about as certain as anything can be. There will be exceptions, as usual. Gains in net are well assured for defense-stimulated lines like aircraft, auto trucks, machine tools and shipbuilding; also for electric utilities and natural gas, although here in many cases per-share results will be diluted by new equity financing. Gains are possible, but less assured, for such favorably-situated lines as oil, small-loan companies, cement makers; and for some of the lines that fared especially poorly in 1951, including textiles, retailing, shoes and soaps.

Bonds

This column has pointed out before that so-called defensive common stocks are far less than fully so; that the best defensive policy is to increase the proportion of funds in high-grade fixed-income securities; that both high-grade corporate bonds and preferred stocks were at levels attractive for longer-term buying; and that preferred stocks, in particular, could be bought for yields around 4.25% to 4.5%, with promise of material eventual appreciation. Since we first took this position, fixed-income securities have surprised many observers by performing excellently in the face of record new security flotations which must soon pass their peak. Preferred stocks, on average, have recently risen to a new 1952 high, which is the best level in a good many months. A representative average of such issues has now risen nearly 10 points, or close to 6%, from its early 1952 low. However, average yields are still a little better than 4%; and the stocks are still materially under their highest levels of the post-war years through 1951.

DECREASES SHOWN IN RECENT EARNINGS REPORTS

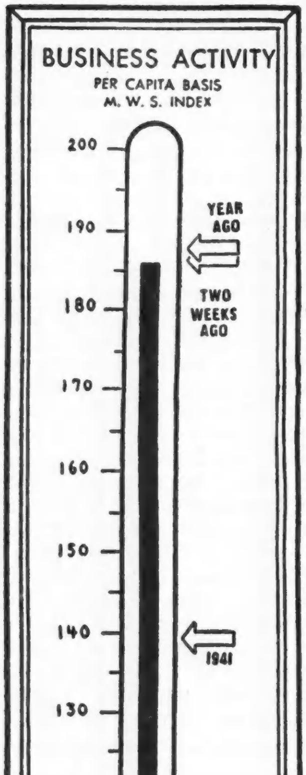
		1951	1950
Aluminium, Ltd.	Year Dec. 31	$7.03	$8.77
Chicago, Milw., St. P. & Pac.	Year Dec. 31	1.75	4.16
Illinois Central	Year Dec. 31	12.51	20.62
Reliable Stores Corp.	Year Dec. 31	2.73	5.33
Revere Copper & Brass	Year Dec. 31	5.38	8.47
American Chain & Cable Co.	Year Dec. 31	4.86	5.76
American Viscose	Year Dec. 31	5.37	7.83
Boeing Airplane Co.	Year Dec. 31	6.60	10.00
Borg-Warner Corp.	Year Dec. 31	8.84	12.16
Fruehauf Trailer Co.	Year Dec. 31	3.94	5.59



What's Ahead for Business?

By E. K. A.

Those shrewd students of wholesale price and supply trends, the members of the National Association of Purchasing Agents, went into April buying from hand to mouth. Their judgment was ratified in the slight but steady decline of staple commodities, and a continued easing of supplies in the critical materials areas. Retail trade strengthened on a year-to-year basis, but not to an extent that exceeded the normal shift of post-Easter to pre-Easter business in the first days of April.



Industrial production, as measured by the Federal Reserve Index, managed to break out a little way in March on the upside from the line it has held for so many months. Getting back to the year-ago level, when post-Korean demands by consumers were at their peak, would make more of us happy if we really believed it. Seasonal factors have baffled the Federal Reserve statisticians since the war, and the Controlled Materials Plan introduced the new seasonal of hot-and-cold government estimates of what would happen next.

These two factors—probable seasonal movement not fully accounted for, and belated release of materials for civilian use which should never have been denied for that purpose—seem to have distorted the production figure a little. Business is just not as good as it was a year ago, at least civilian business. It must be remembered that as long as actual warfare is not burning up the munitions, arms orders are not self-renewing as are civilian ones.

A significant sidelight on the material situation was the lack of the customary rush to load up with steel as furnaces began to go down in anticipation of the April 8 strike deadline. Some of this, of course, was due to the red tape with which the government has enwrapped the buying of steel. Some more may have been due to confidence that the strike would not be allowed to continue very long. But there is a noticeable residuum of conviction that nearly every fabricator had as much steel as he was likely to need for civilian output.

This was reflected in the hasty reversal by the National Production Authority, just eight hours before the steel walkout began, of an order forbidding shipment of any steel to so-called non-essential users after the strike began. The order was only lifted for mills, several of which either signed with the C. I. O. United Steelworkers before the walkout, or deal with non-C. I. O. unions. Warehouses were still forbidden to ship to non-essential users, although most of their stocks will prove unsuitable to defense orders.

Looking forward, it should be said that the higher level of supplies, which has alarmed many commentators, and which does show the glaring holes in the fabric of inflation which had been relied upon to cloak our political and economic shortcomings through at least one more election, is a boon rather than a curse. This is axiomatic; freer movement of supplies must eventually mean free direction of production by the private entrepreneur guided by the wants of the individual consumer. We all know this is the way to have real prosperity, although every four years we vote as if we felt bureaucratic guidance to be superior.

Especially, we may hope that the freer supplies will give home building a little stimulation, even if the rise is no more than seasonal. Much of the cost of homes in the postwar years have been due to the necessity of expediting, as the contractors call it—which means interrupting the erection of the building while chasing around for the one litte necessary piece which was holding up the works. Whimsical controls have added to this particular exasperation, and their lifting might encourage contractors to figure more closely.

For the slightly longer term, the unrest which will spread through the entire economy from the steel settlement may impede production and have some effect on profits. The steel industry is one of the major immediate beneficiaries of the defense policy at home and the giveaway policy around the world. If steel felt it had to battle to keep the wage-price spiral from taking one ore turn, how much fiercer will be the battle as it spreads to lines which can't sell their production now?

The Business Analyst

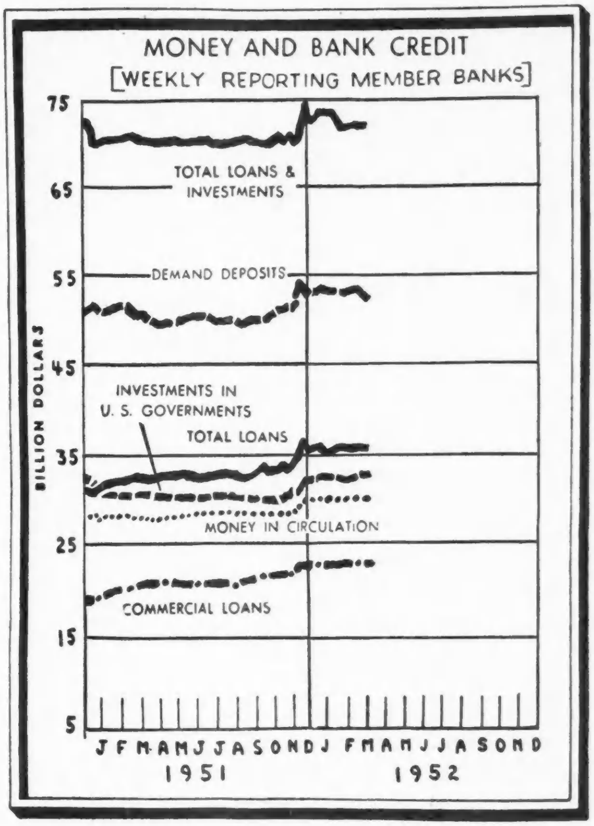
HIGHLIGHTS

MONEY & CREDIT—The Treasury took in $9.9 billion in March compared with $8.1 billion for the corresponding month of last year. After paying out $5.7 billion last month, the Treasury's general fund balance stood at $6.8 billion at the end of March against $8.7 billion on hand a year ago. There has been a further drain on Treasury cash this month resulting from payment of $657 million on April 1 to holders of certificates of indebtedness who failed to accept an exchange offer. In addition, some owners of Savings Bonds maturing on April 1 undoubtedly turned them in for cash. The Treasury is expected to run up a deficit of some $5 billion during the next two months and all these drains on its resources may necessitate large-scale deficit financing within the next sixty days. The raising of new money in a modest way has already begun with the offering of $200 million of 91-day bills for cash on April 7.

Total loans of reporting member banks have declined by $460 million since January 2 to stand at $34.7 billion on March 26. This decline is in striking contrast with the $1,290 million rise in loans during the corresponding twelve weeks of last year and reflects generally easier business conditions and a reduction of inventories in some lines.

The tax-exempt market received a fillip when the Public Housing Authority decided to postpone an offering of $167 million in public housing bonds. Reason for the withdrawal was a House amendment which could impair the unconditional obligation of the Federal government to make payments on these bonds. Government bonds have continued their upward trend and the bank-eligible 2½'s of 1972-67 chalked up a ¾ point gain in the past two weeks to close at 98⅜ on April 7.

The nation's money supply—total non-governmental deposits plus currency outside the banks—stood at $183.2 billion on February 27, a decline of $1.9 billion since January 30. Demand deposits, which have a greater velocity of circulation than time deposits, fell by $1.2 billion during the period while the latter rose by $308 million and currency outstanding remained unchanged. Influences making for a contraction in the money supply were a $600 million reduction in bank loans and investments while the government drew $1.6 billion from private hands, increasing its own deposits by that amount. Since February 28, 1951 the total money supply has risen by $8.9 billion with demand deposits up $4.9 billion, time deposits rising by $3.0 billion and currentcy $1 billion higher. During this one-year period bank loans and investments have increased by $8.6 billion.



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TRADE—Retail sales have shown signs of improvement of late. During late March and early April most major stores were reported running even with pre-Easter periods of the last two years. Retailers are hopeful that this revival of consumer demand will continue after Easter. Sales of liquor and of major appliances are lagging, and sharp price cuts in these fields are expected in order to revive interest. Department store sales for the week ending March 29 were 13% above the same period of a year ago. However, last year Easter fell on March 25. The showing still appears a creditable one.

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INDUSTRY—Industrial production as measured by the Federal Reserve Board rose to 222% of the 1935-1939 average in February from the January level of 220. Manufacturers of both durables and non-durables shared in the improvement while mining activity was slightly lower. Output of major consumer durables rose to 103% of the 1947-1949 average in February from 94 in January. The increase reflected a rise in auto output from 79 in January to 97 in February. Production of household goods was slightly lower.

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COMMODITIES—Commodity prices have fallen further during the past two weeks and the MWS Index of Raw Materials at 174.9 on April 4 approached last year's low of 174.8, reached on August 10. Prices of grains, wooltops, rubber and hides included in the index all were lower during the fortnight while raw sugar and cotton showed some improvement and the other components of the index were unchanged at ceiling prices or government selling levels.

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Businessmen are planning to continue a record-breaking expansion program in 1952, according to the results of a survey

(Please turn to the following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Mar.	3.7	3.4	2.1	1.55
Cumulative from mid-1940	Feb.	448.3	444.6	409.4	13.8
FEDERAL GROSS DEBT—$b	Mar. 31	258.1	260.4	255.0	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Mar. 26	51.9	53.0	54.3	26.1
Currency in Circulation	Apr. 2	28.4	28.3	27.1	10.7
BANK DEBITS					
New York City—$b	Mar. 26	11.3	13.9	9.9	4.26
93 Other Centers—$b	Mar. 26	16.1	18.1	15.6	7.60
PERSONAL INCOMES—$b (cd2)	Jan.	257.3	258.6	243.6	102
Salaries and Wages	Jan.	172	172	158	66
Proprietors' Incomes	Jan.	50	50	51	23
Interest and Dividends	Jan.	19	21	19	10
Transfer Payments	Jan.	13	12	13	3
(INCOME FROM AGRICULTURE)	Jan.	22	23	22	10
POPULATION—m (e) (cb)	Feb.	156.0	155.8	153.3	133.8
Non-Institutional, Age 14 & Over	Feb.	109.3	109.3	108.9	101.8
Civilian Labor Force	Feb.	61.8	61.8	61.3	55.6
unemployed	Feb.	2.1	2.1	2.4	3.8
Employed	Feb.	59.8	59.7	58.9	51.8
In Agriculture	Feb.	6.1	6.2	5.9	8.0
Non-Farm	Feb.	53.7	53.5	53.0	43.8
At Work	Feb.	57.6	57.5	56.5	43.2
Weekly Hours	Feb.	41.9	41.6	41.4	42.0
Man-Hours Weekly—b	Feb.	2.41	2.39	2.34	1.82
EMPLOYEES, Non-Farm—m (lb)	Feb.	45.8	45.9	45.4	37.5
Government	Feb.	6.5	6.5	6.1	4.8
Factory	Feb.	12.8	12.8	13.2	11.7
Weekly Hours	Feb.	40.8	40.9	40.9	40.4
Hourly Wage (cents)	Feb.	163.8	164.0	156.1	77.3
Weekly Wage ($)	Feb.	66.83	67.08	63.84	21.33
PRICES—Wholesale (lb2)	Apr. 1	111.4	111.7	116.4	92.5
Retail (cdlb)	Jan.	210.6	210.8	202.4	116.2
COST OF LIVING (lb3)	Feb.	187.9	189.1	183.8	100.2
Food	Feb.	227.5	232.4	226.0	113.1
Clothing	Feb.	204.3	204.6	202.0	113.8
Rent	Feb.	140.2	139.7	134.0	107.8
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Jan.	12.6	12.3	13.6	4.7
Durable Goods	Jan.	4.1	3.9	5.1	1.1
Non-Durable Goods	Jan.	8.5	8.4	8.5	3.6
Dep't Store Sales (mrb)	Jan.	0.78	0.82	0.95	0.34
Retail Sales Credit, End Mo. (rb2)	Jan.	11.5	12.1	11.9	5.5
MANUFACTURERS'					
New Orders—$b (cd) Total	Feb.	21.6	22.3	25.8	14.6
Durable Goods	Feb.	10.6	11.1	13.5	7.1
Non-Durable Goods	Feb.	11.0	11.2	12.3	7.5
Shipments—$b (cd)—Total	Feb.	21.8	22.0	21.2	8.3
Durable Goods	Feb.	10.7	10.5	9.7	4.1
Non-Durable Goods	Feb.	11.2	11.5	11.5	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	Jan.	70.1	70.1	62.0	28.6
Manufacturers'	Jan.	42.0	42.0	34.1	16.4
Wholesalers'	Jan.	10.0	10.0	9.5	4.1
Retailers'	Jan.	18.1	18.1	18.5	8.1
Dept. Store Stocks (mrb)	Jan.	2.3	2.4	2.5	1.1
BUSINESS ACTIVITY—1—pc	Mar. 29	185.6	185.8	188.9	141.8
(M. W. S.)—1—np	Mar. 29	220.9	221.1	220.2	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 105)

made by the Securities & Exchange Commission and the Department of Commerce which showed that expenditures for **NEW PLANT AND EQUIPMENT** are expected to reach $24.1 billion this year compared with $23.3 billion in 1951. Durable goods industries are mapping an increase of 16% in capital outlays which should total $6 billion while makers of non-durables plan an increase of only 2% to $6.1 billion. Among manufacturers of non-durables, smaller outlays are looked for in the food, beverage, textile and paper industries while larger disbursements are planned by makers of chemicals, petroleum and rubber products. In non-manufacturing lines, expenditures for plant and equipments are expected to rise substantially in the case of mining and utility companies, remain unchanged for railroads and show a decline of almost 10% for commercial and miscellaneous concerns.

* * *

RAYON manufacturers shipped 81.5 milion pounds of their product to consumers during February, a 10% drop from January shipments and 18.5% below shipments of 100 million pounds during February 1951, Textile Organon has reported. Although the rate of production was low in February it still exceeded shipments with the result that **STOCKS** of rayon in manufacturers' hands were 2.7 million pounds higher during the month to stand at 115.2 million pounds on February 29. This compares with an inventory of only 14.3 million pounds on hand at the end of February 1951.

* * *

BUSINESS FAILURE came to 619 firms in February, an 8% drop from January results but 3% more than in February 1951, according to Dun & Bradstreet's compilations. **LIABILITIES** of failing firms fell 26% to $19.5 million but were $3.5 million larger than those involved in February failures last year. Both manufacturing and trade failures were below January casualties while increases occurred in construction and commercial services. All geographic regions except the Pacific and Mountain States reported fewer business mortalities, with the sharpest decline being posted by the North Central States.

* * *

NEW ORDERS FOR FABRICATED STRUCTURAL STEEL totalled 202,810 tons in February, slightly less than the 215,031 tons contracted for in January, the Ameri-

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—1—np (rb)	Feb.	222	220	221	174
Mining	Feb.	166	167	158	133
Durable Goods Mfr.	Feb.	284	281	271	220
Non-Durable Goods Mfr.	Feb.	190	189	201	151
CARLOADINGS—t—Total	Mar. 29	725	720	755	833
Misc. Freight	Mar. 29	381	380	401	379
Mdse. L. C. L.	Mar. 29	77	76	83	156
Grain	Mar. 29	43	45	48	43
ELEC. POWER Output (Kw.H.) m	Mar. 29	7,263	7,354	6,767	3,267
SOFT COAL, Prod. (st) m	Mar. 29	9.8	9.5	10.3	10.8
Cumulative from Jan. 1	Mar. 29	133	123	137	44.6
Stocks, End Mo.	Feb.	76.5	75.4	70.7	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Mar. 29	6.4	6.4	6.0	4.1
Gasoline Stocks	Mar. 29	150	148	142	86
Fuel Oil Stocks	Mar. 29	36	36	37	94
Heating Oil Stocks	Mar. 29	45	46	43	55
LUMBER, Prod.—(bd. ft.) m	Mar. 29	566	578	565	632
Stocks, End Mo. (bd. ft.) b	Feb.	8.2	8.3	6.4	12.6
STEEL INGOT PROD. (st) m	Feb.	8.7	9.1	7.8	7.0
Cumulative from Jan. 1	Feb.	17.8	9.1	16.6	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Apr. 3	346	272	237	94
Cumulative from Jan. 1	Apr. 3	3,374	3,028	4,181	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Mar. 29	190	189	258	165
Cigarettes, Domestic Sales—b	Feb.	29	33	29	17
Do., Cigars—m	Feb.	447	495	435	543
Do., Manufactured Tobacco (lbs)m	Feb.	18	19	18	28

PRESENT POSITION AND OUTLOOK

can Institute of Steel Construction has reported. The two months total of 417,841 tons is 32% less than the 618,119 tons booked in the corresponding period of last year and reflects the effects of the drastic allocations that had been imposed on the construction industry. **SHIPMENTS** for February at 248,443 tons showed a slight improvement over the January figure. The industry's **BACKLOG** of orders stood at 2,408,032 tons at the end of February, of which 47% was scheduled for production within the next four months.

* * *

National **ADVERTISING EXPENDITURES** hit a new all-time high in February, 2% above the month before and a 19% gain over February 1951, according to Printer's Ink. Television advertising with a 108% increase over a year ago showed the biggest gain while outdoor and farm media also did better. Decreases were noted in radio and newspaper advertising.

* * *

Consumption of **NEW RUBBER** during the month of February decreased 5.1% to 101,748 long tons from the 107,167 long tons consumed in January. However, February consumption was 12% above the corresponding period of 1951.

b—Bilions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, instalment sale credit and charge accounts. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

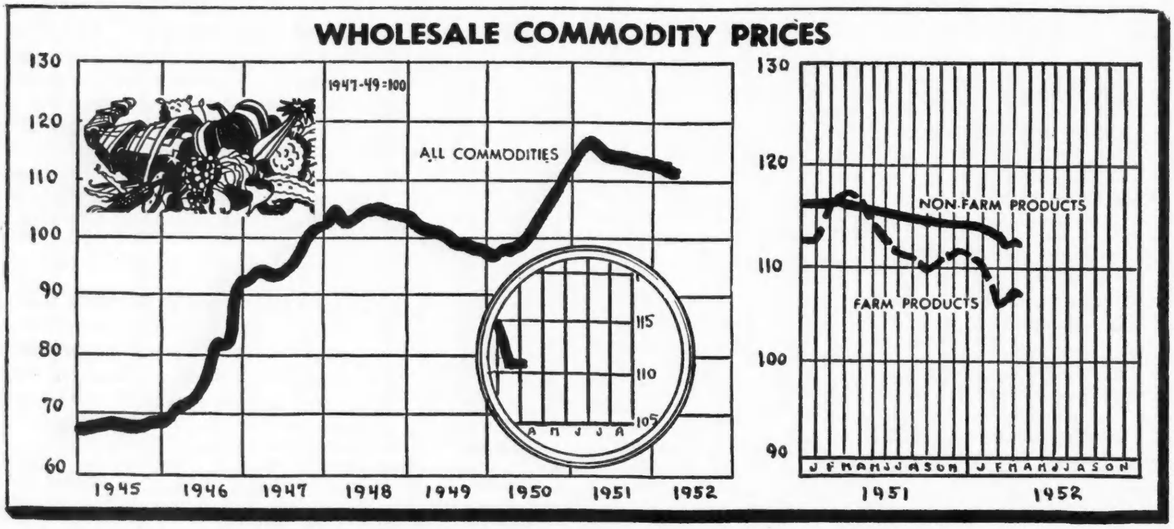
No. of Issues (1925 Cl.—100)	1952 Indexes High	Low	1952 Mar. 29	1952 Apr. 5
330 COMBINED AVERAGE	199.5	193.2	199.5	196.7
4 Agricultural Implements	295.8	273.6	279.7	279.7
10 Aircraft ('27 Cl.—100)	316.7	290.1	299.0	290.1Z
7 Air Lines ('34 Cl.—100)	777.8	664.4	696.0	664.4Z
8 Amusements	102.7	92.5	97.4	92.5Z
10 Automobile Accessories	244.0	234.4	241.6	236.8
11 Automobiles	42.2	40.2	42.2	41.4
3 Baking ('26 Cl.—100)	22.0	21.4	21.6	21.6
3 Business Machines	398.3	378.4	386.4	382.4
2 Bus Lines ('26 Cl.—100)	157.4	146.1	149.1	146.1Z
6 Chemicals	418.0	380.7	388.0	380.7
3 Coal Mining	16.0	14.3	14.6	14.3Z
4 Communications	68.3	63.0	64.3	63.0Z
9 Construction	71.7	67.5	71.7	71.7
7 Containers	490.6	457.1	476.1	466.6
9 Copper & Brass	169.5	150.1	153.3	150.1Z
2 Dairy Products	85.7	83.2	84.0	84.0
5 Department Stores	66.0	62.7	64.0	63.3
6 Drugs & Toilet Articles	233.1	219.5	228.6	221.8
2 Finance Companies	340.6	308.1	334.3	340.6A
7 Food Brands	178.7	173.3	176.8	173.3Z
2 Food Stores	103.8	97.4	102.5	98.5
3 Furnishings	63.1	59.3	59.3	61.2
4 Gold Mining	730.1	648.3	704.9	723.8

(Nov. 14, 1936, Cl.—100)	High	Low	1952 Mar. 29	1952 Apr. 5
100 HIGH PRICED STOCKS	125.1	119.2	125.1	123.4
100 LOW PRICED STOCKS	241.5	234.3	238.2	234.6
5 Investment Trusts	104.8	97.9	103.8	104.8
3 Liquor ('27 Cl.—100)	1146.9	1000.4	1022.8	1000.4Z
11 Machinery	216.6	204.1	208.3	204.1
3 Mail Order	130.6	117.7	122.8	121.5
3 Meat Packing	100.2	94.2	95.2	94.2Z
13 Metals, Miscellaneous	307.4	272.6	278.4	272.6Z
4 Paper	443.7	396.7	435.7	431.6
28 Petroleum	485.1	440.2	485.1	480.7
30 Public Utilities	169.2	162.5	169.2	167.5
9 Radio & TV ('27 Cl.—100)	34.2	31.1	34.2	33.0
8 Railroad Equipment	64.3	59.9	61.1	61.1
24 Railroads	45.4	41.3	45.4	44.6
3 Realty	42.0	38.2	42.0	40.9
3 Shipbuilding	191.8	181.0	189.9	191.8A
3 Soft Drinks	330.5	301.2	310.7	313.8
14 Steel & Iron	154.8	142.8	148.8	144.3
3 Sugar	73.1	67.5	70.3	69.6
2 Sulphur	616.3	552.3	568.7	563.2
5 Textiles	197.4	170.0	175.9	170.0
3 Tires & Rubber	75.3	68.3	75.3	74.6
6 Tobacco	85.9	81.8	84.2	84.2
2 Variety Stores	319.6	297.9	301.0	301.0
18 Unclassified ('49 Cl.—100)	119.7	116.2	119.7	118.6

A—New High for 1952. Z—New Low for 1952.

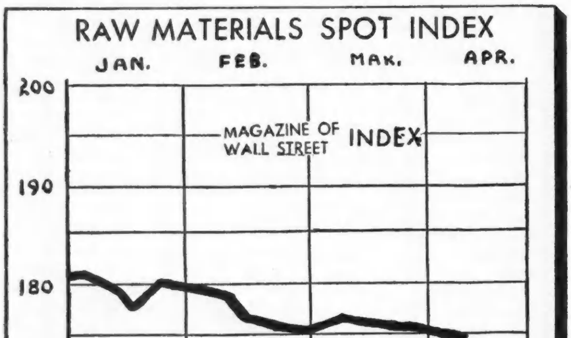
Trend of Commodities

Futures markets witnessed a steady attrition of prices during the past two weeks and almost all commodities finished lower. The Dow-Jones Futures Index closed at 176.34 on April 7 compared with 180.80 on March 24. Wheat futures lost one and one-half to three cents during the past fortnight with the distant options showing the greatest weakness. Expectations of a large crop this year were a depressing influence. Acreage sown to the 1952 winter wheat crop has been very large, totalling 56.3 million acres, compared with a 1940-1950 average of 50.1 million acres. The 1952 price support program will depend on the June 15 parity price of wheat. If the March 15 parity price is maintained until June 15, a loan of 90% of parity would equal $2.21 per bushel or approximately $2.53 in Chicago. After eliminating storage charges the effective price support would approximate $2.41 to $2.43 a bushel on the new crop. The May corn option closed at $1.83⅛ on April 7, a loss of 4½ cents in two weeks' time. Corn consumption may not be as high as was expected because of heavy livestock marketings. This consideration acted to depress prices as did sales of some government holdings to avoid spoilage. May cotton gained ¼ cent during the period as the U. S. Department of Agriculture estimated consumption during the crop year at 16 million bushels. With the 1951 crop at 15.1 million bushels this would mean a smaller carry-over on July 31, 1952 than last year's 2.3 million bales which was the smallest in 27 years. House committee approval of a bill to raise support prices if the crop is large also aided bullish sentiment. However the advance could not get very far in the face of declining prices for other commodities and a further slowing down in textile business. Hides continued their steady decline with the July future losing three cents since March 24, as the seasonal slowdown in shoe production acted to reduce demand.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices—August, 1939, equals 100

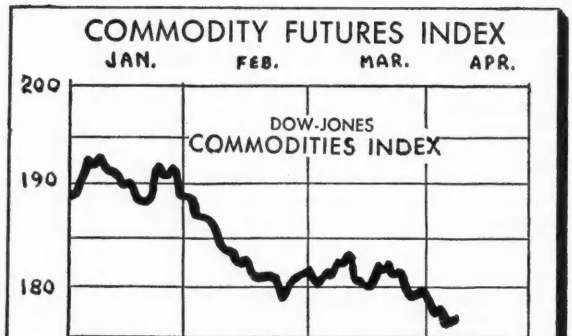
	Date Apr. 7	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
28 Basic Commodities	296.8	302.9	326.8	374.6	156.9
11 Imported Commodities	296.4	304.4	335.3	413.1	157.3
17 Domestic Commodities	297.0	302.0	321.3	351.6	156.6
7 Domestic Agriculture	336.1	335.2	357.0	405.3	163.9
12 Foodstuffs	346.2	353.6	364.5	392.2	169.2
16 Raw Materials	283.4	288.6	316.3	365.3	148.2



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1952	1951	1950	1945	1941	1939	1938	1937
High	181.2	214.5	204.7	95.8	74.3	78.3	65.8	93.8
Low	174.9	174.8	134.2	83.6	58.7	61.6	57.5	64.7



Average 1924-26 equals 100

	1952	1951	1950	1945	1941	1939	1938	1937
High	192.5	215.4	202.8	111.7	88.9	67.9	57.7	86.6
Low	176.3	176.4	140.8	98.6	58.2	48.9	47.3	54.6

Keeping Abreast of Industrial and Company News

Minneapolis-Honeywell Regulator Co. has developed a method of providing emergency heating in railway cars to safeguard passengers if the train's normal heat supply fails. The new system is designed to protect passengers from cold where a train becomes stalled, or during long switching periods when cars are detached from the engine. The new method involves the use of a second, independently operated emergency heating system, and switches on automatically in the event the train's steam supply drops below a certain level.

York Corp. has placed in production the smallest commercial type automatic ice maker ever developed, according to the president of the company. The machine, to be known as the York-FlakIce Automatic Ice Maker, is designed to produce up to 300 pounds of ice in small clear fragments without the use of an auxiliary crusher. The machine is designed primarily to meet demands for such equipment from various types of commercial establishments, including hospitals, bars, soda fountains, restaurants and chain stores, and from the military.

Aluminum Co. of America has announced plans for expansion of the company's fabricating facilities in the Pacific Northwest. Immediate plans call for extensive modernization and revision of the ingot-casting facilities of Alcoa's Vancouver (Wash.) works. The current expansion program is a forerunner of a projected plan to extend and diversify the fabrication of primary aluminum at Vancouver. These new facilities are being designed by Alcoa to meet the anticipated growth in Northwestern markets for aluminum mill and finished products.

Of considerable interest is the opening at Bulsar, India of that nation's first dyestuffs and pharmaceutical plant, Atul Products, Ltd., a joint Indo-American enterprise. The point of interest is that the plant was built with the technical assistance of the **American Cyanamid Co.** The latter has a 10% financial stake in the enterprise but no share in the actual management. Within a relatively short time, Atul will be producing enough aureomycin and sulfa drugs to cure most of the infectious diseases which are so serious in India. Although only a beginning, the $3.5 million plant has a capacity of 4 million pounds of azo and sulphur dyes yearly, enough to rapidly accelerate development of India's textile industry.

Allegheny-Ludlum-Steel Corp. has introduced a new group of stainless steels commercially to help circumvent the critical nickel shortage. The new alloys, which use manganese to replace all or most of the nickel used in conventional chromium-nickel stainless steels, represented most of the product achievements of the company in 1951. Other new steels introduced by Allegheny Ludlum include high temperature alloys for the military jet program and a new high manganese alloy for automotive exhaust valves. Expenditures amounting to $22 million were made during the year for plant improvements, and $10 million in commitments for additional improvements were outstanding at the end of the year.

Standard Oil Company of Indiana has under construction the world's first fluid hydroformer. Hydroforming catalytically reforms virgin naphtha into the stuff that gives gasoline high octane performance. Catalytic reforming is the most important gasoline manufacturing technique under development, it is believed, and may in time prove almost as important as the fluid catalytic cracking process. The new process will be licensed so that its benefits may be spread more quickly.

Steel covered hopper cars of 70-ton capacity, currently rolling off the assembly line at the Omaha shops of the **Union Pacific Railroad** mark a $27 million continuation of the railroad's freight car building program. An extended program has been announced that will add 3700 new freight cars of nine different types to the railroad's rolling stock. Since the start of 1950, Union Pacific has built or bought a total of 8000 new freight cars of all types. This new building program places the road in the lead with the highest percentage of new freight cars in the nation. It is expected that the entire car-building program will be completed by mid-1953.

American Brake Shoe Co. has purchased the plant and property formerly owned by the Jumbo Steel Co. in Azusa, Calif. The property consists of 5 acres of land and several buildings. The American Forge Division of Brake Shoe will use the plant to start a West Coast steel forging operation. American Forge now operates two forging plants in Chicago which are currently making various sizes of shell forgings for defense.

American Machine & Foundry Co. has exercised its option to acquire all assets of Leland Electric Co., major producer of electrical equipment with plants in Dayton, Ohio, and Guelph, Ontario, in return for AMF common stock. The exchange of Leland assets for AMF common is subject to approval of two-thirds of Leland's stockholders, according to the president of AMF. Leland's two plants employ more than 1300 in the manufacture of one-eighth to five horse-power electric motors, generators, alternators and inverters. Acquisition of Leland will bring AMF's plant total to fifteen.

Boeing Airplane Co., which began commercial production of electronic computers a year ago, is ex-

panding its production and marketing program in this field. Operating on the simulation principle, the computer is designed to solve a wide range of everyday industrial and research dynamics problems comprising both lineal and non-lineal systems. Such problems frequently occur in the design of industrial control systems, rotating machinery installations, manufacturing processes and a wide variety of servo-control systems throughout the aircraft, petroleum and other industries.

General Electric Co's new electronic tube plant will be opened in Anniston, Ala., early in June. Production is expected to be on a limited basis for the time being. The new plant, erected by General Electric at a cost of about $6 million, is expected to employ about 2000 people in the manufacture of receiving-type electronic tubes.

Niagara Mohawk Power Corp. has offered to purchase a number of hydro-electric power sites and properties of Eastern New York Power Corp. and Int'l Hydro Electric System for a total of $8.5 million. This is part of a series of moves in which Niagara Mohawk is extending its system through acquisition of various kinds of properties associated with electric power production.

The **Goodyear Tire and Rubber Co.,** has introduced a tire designed to give as much as 42 percent more non-skid mileage than today's standard tire. The new tire is made of all-nylon cord with tread of cold synthetic rubber and sidewalls of natural rubber. The company also unveiled a new tube which gives complete protection against both punctures and blowouts.

Plans for making and marketing room air conditioners have been announced by **Servel, Inc.,** which expects the first of the units to be ready early in 1953. The new air conditioners will be self-contained, electrically operated units with capacities up to ¾ or 1 horsepower and will provide comfort for single rooms during the summer by cooling, dehumidifying, filtering and circulating the air.

Sun Oil Co., is planning to spend some $110,000,000 this year in a stepped-up expansion program designed to keep pace with increasing demand for higher quality petroleum products. The money has been earmarked for production, transportation, refining and marketing facilities and for an intensified search for new oil fields, and compares with outlays of $80 million spent for such purposes last year. Projects in the program include construction of a refinery at Sarnia, Ontario, addition of extensive facilities at the Marcus Hook refinery to produce petro-chemicals, building of four 30,000 ton super-tankers and plans for the most extensive oil well drilling program ever undertaken by the company.

Allen B. Du Mont Laboratories, Inc., has announced a coordinated program to help speed the establishment of complete television service by thousands of local television stations which will develop when the Federal Communications Commission lifts its freeze on television station construction permits. The Du Mont program is designed to provide potential broadcasters over the ultra high transmission frequencies with broadcasting equipment, program service and an audience. Du Mont is planning to offer nationally sponsored shows to local affiliates with the ultimate aim of developing a coast-to-coast operation which would bring network service to all parts of the nation.

Willys-Overland Motors, Inc., reports receipt of an order from the U. S. Army Ordnance Corps, for $149,000,000 worth of military jeeps, the largest contract for Jeeps received by the company since World War II. The company plans to increase its daily output of military Jeeps by 50 per cent in order to expedite delivery of vehicles ordered under the contract. Deliveries of these vehicles are on schedule and completion of deliveries of vehicles ordered under previous contracts are expected by July. Production of the Jeeps ordered today will begin immediately thereafter.

Westinghouse Electric Corp., has introduced an "ignitron rectifier" electric locomotive, said to be the only new type of electric motive power in the industry for the last quarter of a century. The difference between this locomotive and any predecessor is the use of ignitron rectifier tubes which convert alternating current transmitted from overhead lines into direct current in the motors. The new locomotive has the advantages of economical operation, a continual and unlimited source of power, easier starting, power at slow speeds and is fast enough for any requirements.

The **Radio Corporation of America** has disclosed that it is producing a new "push-button" master communications unit, capable of instantaneously flashing vital battle information between warships. The unit is used as a basic part of the Combat Information Center on major warships. This Center is the point to which vital information is funneled from radar, radio, television and other new, secret types of electronic communications equipment and the new unit assembles, analyzes and dispatches this information to all elements of a Navy task force.

Republic Aviation Corp. has created a division which will do research and develop advanced types of trans-sonic and super-sonic guided missiles. While the firm has been active in guided missile work for several years, the division is the first in this field to be created by the company which has specialized in the production of Thunderbolt and Thunderjet fighters and fighter bombers. The new activities are in line with the evolution of aircraft towards the principle of automatic flight, and future pilots may serve more and more as 'check riders' on self-actuating electronic and other flight controls.

American Bosch Corp. and its subsidiary **Arma Corp.** will get most of their expected $110 million or more in 1952 sales from their defense contracts, but their management is looking forward to a major expansion of the companies' civilian market. A Bosch invention of promise is a fuel injection system for engines other than diesels, which will give fuel economy impossible to attain by simple carburetion. This will be of major value to over-the-road trucks and similar heavy installations. Arma's small gyro compass, which weighs only 57 pounds, was ordered by the armed forces for use in vehicles and small craft, but a civilan market is foreseen in exploration and oil prospecting in uncharted terrain.

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Yale & Towne Manufacturing Company

"I have been a subscriber to your valued publication for over 10 years and have only on special occasions consulted your Personal Service Department. I would appreciate receiving data in regard to Yale & Towne Manufacturing Company."

P. O., Fort Worth, Texas

Yale & Towne Manufacturing Company during 1951 had a record sales volume of $93,126,883, highest in its 83-year history, as compared with $65,153,204 in 1950, an increase of 42.9%, and showed net income after taxes of $2,823,833, as compared with net income in 1950 of $2,707,137, an increase of 4.3%.

The company entered 1952 with the best year-end backlog of orders in its history, amounting to $38,089,214 for both materials handling equipment such as gas and electric industrial trucks and hoists and locks and builders' hardware, produced at Yale & Towne's seven plants in the United States, Britain and Canada.

Net earnings per share on 613,186 shares outstanding at year-end of 1951 were $4.61, as compared with $5.30 on the 510,707 shares outstanding in 1950.

To highlight the effect of current income taxes, the report showed that in 1951, the net income before taxes on income was $8,237,833 or $13.43 per share on 613,186 outstanding shares as compared with net income before taxes in 1950 of $5,182,137 or $10.15 per share on 510,707 shares then outstanding. Taxes on income, however, for 1951 amounted to $5,414,000 or $8.82 per outstanding share as compared with 1950 taxes on income of $2,475,000 or $4.85 per outstanding share.

Dividends including extras totalled $2.50 a share in 1951, and 50 cents is the current quarterly rate.

Stockholders voted on April 10, authorizing directors to issue an aggregate of 150,000 additional shares of capital stock to acquire such property as they may deem advisable and 163,344 additional shares for such other purposes as they consider advisable.

Union Bag & Paper Company

"A friend of mine has spoken to me recently in regard to Union Bag & Paper Corporation. Could you please supply information as to recent annual earnings, dividends, working capital position, etc.?

T. A., Rutland, Vermont

Sales of Union Bag & Paper Corporation during 1951 reached a new high of $104,460,727 compared with $80,374,420 in 1950.

Net earnings after taxes were $12,217,685, or $8.05 per share compared with $10,897,604, or $7.23 per share, for 1950. The 1951 net earnings were second only to the record 1948 earnings.

Production of the company reached record levels during 1951. This applied to the total of paper mill products as well as the total of various converting operations, such as bags and boxes. The increase in sales was a result of increased production and the continuation of a policy of fabricating paper and paperboard into converted end products, which result in a higher unit value of the finished product sold.

As a result of the higher level of company earnings in recent years, directors in the last quarter of 1951 raised the regular dividend rate from $2.00 to $3.00.

During 1952, substantial consumption of kraft packaging products are expected to continue, even though conditions may be more competitive than they have been since the outbreak of the Korean war.

Capital expenditures in 1951, were over $12 million, more than double the 1950 total. About $9 million of this went into plant and equipment; the remainder into woodland reserves. A substantial portion of the plant expenditures were connected with the expansion program at Savannah, involving a fixed paper machine—expected to be completed in August 1953—and the manufacture of semi-chemical pulp. In addition, however, management continued its policy of assuring present and future earnings by investing large amounts of money in woodland reserves and in lowering costs and improving the efficiency of operating plants.

Working capital at the year-end amounted to $21,061,400, an increase of $2,792,183 over December 31, 1950. Ratio of current assets to current liabilities was 5.1 to 1. Moderate lower earnings are estimated for 1952.

Owens Illinois Glass Company

"What are the principal products of Owens Illinois Glass Company and what were sales volume and profits last year? Please also advise on prospects for 1952."

P. M., Springfield, Illinois

Owens-Illinois Glass Company sales in 1951 were up 10% over

the previous year but net income dropped as a result of higher taxes, increased costs and price controls.

The company and its subsidiaries reported a net profit of $17,022,615 equal to $5.57 per share for the twelve months ended December 31, 1951 compared with $24,319,000 or $7.96 per share in 1950.

Provision for Federal and other income taxes increased to $31,428,000, or $10.28 per share from the 1950 figure of $22,875,000, or $7.48 per share. Two thirds of the company's 1951 earnings were absorbed by income taxes; in 1950 they took one half of earnings.

Sales at the end of last year climbed to $309,774,611 from $282,942,898 in 1950.

Nearly all units of the company, which is a leading producer of glass containers, glass tableware, glass block, television bulbs, scientific glassware, heat insulation and roof deck materials, clay-coated paperboard and boxes and plastic and metal closures, participated in the sales increase.

Like most industries, the company's business will feel the impact of rising costs in the face of price controls and may be further affected by unforeseen developments in the nation's economy. However, there appears to be a sound underlying demand for glass containers and an increasing public interest in the other new and improved glass products. Therefore, prospects over coming months appear favorable. Dividends in 1951 totalled $4 per share and $1 was paid in the first quarter of the current year.

Revere Copper & Brass

"Please present corresponding earnings figures for the past two years of Revere Copper & Brass, dividend payments and financial position."

R. N., Ashland, Ohio

Net income for Revere Copper & Brass Inc. for fiscal year ended December 31, 1951 was $6,935,083, or 3.83% on total sales. This was equivalent, after providing for all known charges including depreciation and increased federal taxes, to $5.38 per share on the 1,286,916 outstanding shares of common stock. Corresponding figures for 1950 were $11,150,037 net income, or 6.34% on sales, and $8.47 per share of common stock.

The reduction in net income for 1951 as compared with 1950, despite a record breaking total in dollar sales for Revere of $180,864,236, is almost entirely due to the tremendous increase in federal taxes. Total taxes last year were $18,659,983 as compared to $14,595,012 in 1950.

Dividends paid during the year were $2.50 per share on the common stock, which was the same rate per share paid in 1950, an aggregated $3,217,287. Revere has no securities ahead of the common stock.

The balance sheet as of December 31, 1951 showed current assets of $40,749,394 against current liabilities of $11,397,242. During the year $3,244,568 was spent for capital additions, compared with $2,636,280 for 1950. Last year's capital expenditures included the financing of a considerable expansion of company's aluminum fabricating facilities in its Baltimore plant as well as other plant improvements.

The company values the major portion of its inventory on the "last-in, first-out" method of pricing, and the difference between the current prices and the "Lifo" cost of the expended inventory amounted to $2,524,955. Federal income taxes on this amount were $1,716,969, leaving a balance of $807,986 carried as "deferred adjustments for inventory and federal taxes."

The continuing serious shortage of copper was the outstanding factor affecting the company's business during 1951, but there are hopeful signs that supplies will improve in 1952, particularly in the second half of this year.

General Time Corporation

"I have heard that General Time Corporation's earnings declined last year; will you please give the reason for this drop? Has the company any defense orders and if they have, will you please state the approximate value of these contracts?"

T. A., Detroit, Michigan

Sales for General Time Corporation and its consolidated subsidiaries for 1951 reached an all-time high of $38,587,406 or 4% above 1950.

Mounting costs, higher taxes, and conversion to defense production with a low profit margin accounted for lower net income of $2,540,986 or $5.48 per share compared with $3,806,472 or $8.27 per share in 1950.

In the clock and watch industry the first half of 1951 was largely a seller's market, and the second half largely a buyer's market. Some reduction in civilian goods output in 1951 was made necessary by defense requirements, and certain of the company's leading products are still on allocation. Since General Time's defense activities last year were largely in research, engineering and pilot lots, the actual dollar volume of defense products was not a very large factor for 1951. Shipments of defense products are now increasing rapidly and the company in March had approximately $16 million in defense orders and contracts, over 90% of which are prime contracts.

Export shipments to foreign markets showed a healthy rise in 1951 due to some improvement in currency limitations in foreign countries and aggressive sales efforts. Total export sales of company's timepieces throughout the world reached a new high because of the operation of factories in Scotland, Australia and Brazil, which have held and strengthened sales in markets otherwise closed to the United States and Canada.

During the year the company introduced several new alarm clocks, new recording instruments, unique timing devices used as components in military projects, and several industrial timers. The Seth Thomas division expanded its importations of attractive foreign-made clocks and took the important step of entering the fine jeweled watch manufacturing field through the importation of high quality Swiss movements. This is a very large and competitive market but with the company's name, promotion, guarantee and extensive distribution, it should become a factor in this field.

Cash dividends of $3.00 per share plus 10% in stock were paid in 1951 and 50 cents quarterly was paid in the first quarter of 1952.

Allen Industries Inc.

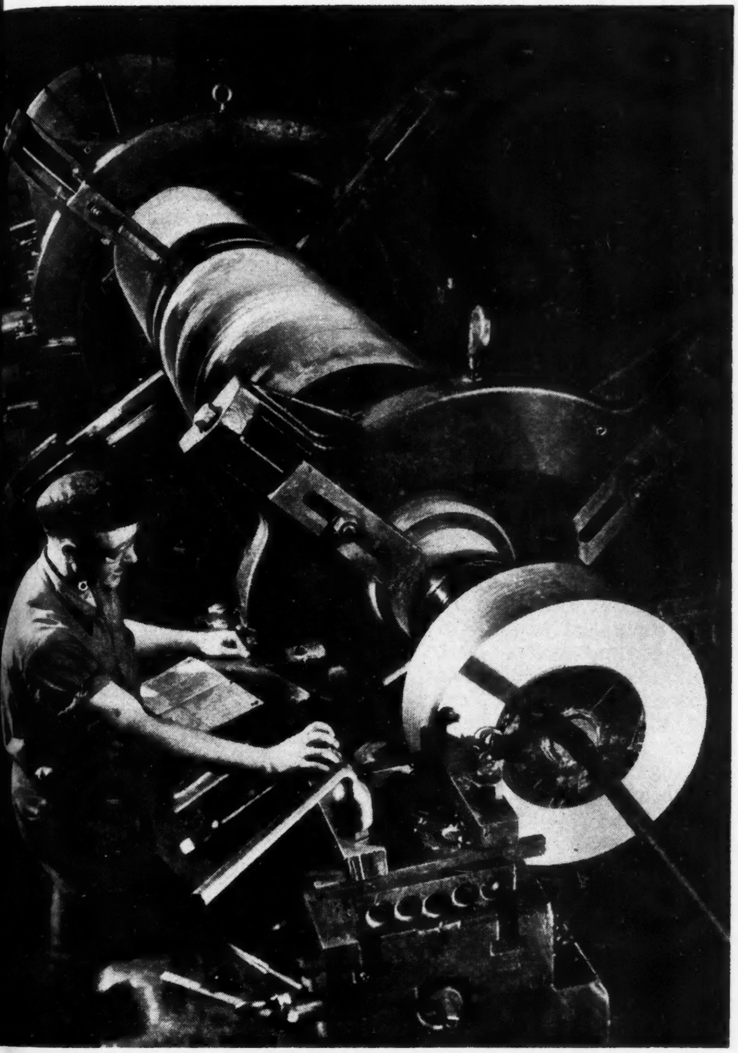
"I presume that operations of Allen Industries Inc. have been affected by reduced demand from automotive and floor covering industries. Have you recent pertinent data in regard to this company?"

R. T., Salem, Oregon

Reflecting reduced demand from the automotive and floor-covering industries, sales of Allen Industries Inc. showed a decline from the preceding year, but were the second largest in the company's history. Sales for 1951 amounted to $30,662,811, a decline of 9.7%

(*Please turn to page* 126)

an do so many jobs so well



WHOPPER. This 96-inch lathe in the Homestead District Works of U.S. Steel can turn and bore a 110-ton piece of steel that's 8 feet in diameter and 66 feet long! But to produce quality forgings, it takes fine steel and skilled craftsmen, as well as modern machines. United States Steel has all three.

THE DEFENSE PROGRAM calls for steel and more steel . . . for weapons, ships, planes, even lowly barbed wire like this. Only steel can do so many jobs so well. And fortunately, United States Steel and the more than 200 other steel companies in America are able to produce enormous quantities of this vital metal . . . more than all the rest of the world put together.

MANUFACTURED FROM USS TRADE MARK STEEL UNITED STATES STEEL

This trade-mark is your guide to quality steel

FACTS YOU SHOULD KNOW ABOUT STEEL. In making the products that are sold under the United States Steel trade-mark, U.S. Steel buys materials from nearly 54,000 *other* companies . . . and over 40% of all money received by U.S. Steel for its products is paid out to these suppliers.

ten to . . . The Theatre Guild on the Air, presented every Sunday evening by United States Steel. National Broadcasting Company, coast-to-coast network. Consult your newspaper for time and station.

UNITED STATES STEEL *Helping to Build a Better America*

MERICAN BRIDGE . . AMERICAN STEEL & WIRE *and* CYCLONE FENCE . . COLUMBIA-GENEVA STEEL . . CONSOLIDATED WESTERN STEEL . . GERRARD STEEL STRAPPING . . NATIONAL TUBE
IL WELL SUPPLY . . TENNESSEE COAL & IRON . . UNITED STATES STEEL PRODUCTS . . UNITED STATES STEEL SUPPLY . . *Divisions of* **UNITED STATES STEEL COMPANY, PITTSBURGH**
GUNNISON HOMES, INC. • UNION SUPPLY COMPANY • UNITED STATES STEEL EXPORT COMPANY • UNIVERSAL ATLAS CEMENT COMPANY

Industrialization—Bitter Fruit For Agricultural Nations

(*Continued from page* 85)

international payments troubles, particularly if people at home are encouraged—as in Argentina—to consume more food than the world prices justify. The problem can be solved in time by allowing to let agricultural prices rise in terms of industrial prices and by the constant improvement of agricultural techniques including mechanization. It looks as if Lord Keynes and Australian economist Colin Clark may be right after all, and that through the nineteen-fifties the populations in older manufacturing countries – Western Europe especially—will find it increasingly more difficult to earn the requisite food and raw materials with their manufactures.

21 Companies With Record-Breaking Earnings

(*Continued from page* 79)

among the better-grade in the machinery group. At current prices of 85, the yield is 7.6%.

International Nickel Co. Earnings for 1951 were the highest in the company's history. Accountable for this result was the $58.7 million gain in sales which were $286.7 million in 1951 against $228 million in 1950. A $20 million increase in costs and a similar increase in taxes were entirely absorbed by the larger sales and left net earnings of $62.8 million against $48.7 million in 1950. Expressed in per share figures, earnings were $4.17 against $3.21. Demand for nickel remains at the highest levels in history and since the metal is still in short supply, it is likely that earnings will continue satisfactory throughout the year. As with copper, the longer-range future depends on whether the defense program is continued on the present scale. However, the company is conservatively managed and well-entrenched financially. The stock is of the business man's investment type with the dividend reasonably protected. At current prices of 44, the yield is 6%, based on the $2.70 a share dividend.

Mathieson Chemical Corp. Operating results for 1951 were the best in the company's history. Net sales were $91.2 million, compared with $75.7 million. After these and other deductions, net income was $9.6 million compared with $8.9 million in 1950. It is important to recognize that these earnings did not reflect recent acquisitions such as Mathieson Hydrocarbon, Morgantown Ordnance Works, Mathieson Alabama, or the new Saltville chlorine plant. These important additions will add substantially to future earnings. This growth stock is steadily gaining investment status. At current prices of about 48, the yield is slightly under 4% but earnings are sufficient to support a moderately higher rate, although this may have to wait pending further progress in the company's expansion program.

Pfizer (Chas.) & Co. Despite the fact that the company is in its most active growth during a period of excessive taxes and rising costs, it has been able to establish new sales and earnings records. Sales were $100 million in 1951, compared with $60.8 million in 1950. Costs increased about $19 million and income taxes about $17 million. Excess profits tax alone increased $5.3 million. New outlets for sales activities have been opened up, the antibiotic division being especially active. Animal feed supplements, especially for the swine-raising industry, is considered of importance for the future. High taxes remain the chief problem. Nevertheless, the company, through new and increasingly efficient methods of manufacture and distribution, should continue to increase net income. Last year, earnings were $2.41 a share, compared with $2.20 a share in 1950. At current prices of 38, the yield is only 2.6% on the basis of the 98-cent dividend. While the stock is sound, the low yield is a deterrent.

Reynolds Metals Co. The largest earnings in the history of the company were reported for 1951. Sales were $215 million, compared with $166 million for 1950, and net earnings were $15.8 million against $12.5 million in 1950. Per share earnings were $10.50 and $8.32 respectively. Were it not for strikes at three plants, earnings for 1951 would have been $3.5 million higher, or approximately $2.30 a share. This would have brought earnings up to $12.80 a share. Higher prices and higher production were accountable for last year's record earnings. While higher prices are not expected for this year, the increased production scheduled will bring gross up to new high figures. However, higher taxes and added amounts for accelerated amortization will probably prevent any important gain in net, but this does not preclude the possibility of a moderate increase. While the stock has "growth" characteristics, it has had a considerable rise in the past few years. At current prices of around 60, the yield is about 2%, based on the $1.10 dividend.

Seaboard Air Line. Revenues reached new peaks. Thus, for 1951 total railway operating income was $149.3 million, a gain of $13.8 million over the previous year. Despite an increase in operating expenses of $12.4 million, net railway operating income advanced from $17.3 million to $19.1 million, or from $12.23 a share to $13.59 a share. Factors in the earnings situation, aside from the growth of traffic, are the rapid dieselization of the road and the efficient handling of the transportation ratio. The outlook for the current year is satisfactory. At current prices of 81, the yield is over 6% on the newly increased dividend of $5 per share. While worthy of retention, the rapid advance in price of the shares seems to have exhausted price appreciation possibilities for the time being.

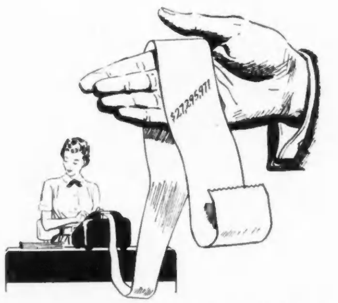
Sinclair's Best Year

Sinclair Oil Corp. The company completed its best year in 1951. Gross operating income rose to $808.9 million against $678.8 million in 1950. Despite an 18% increase in costs and general operating expenses and an $8 million increase in taxes, earnings per share rose to $6.78 a share compared with $5.81 a share the previous year. Sinclair has been rapidly increasing its production resources and its outlook for 1950 is satisfactory. At the current price of 46, the yield is slightly under 6% based on the $2.65 dividend. The stock still seems attractive from the long-range viewpoint.

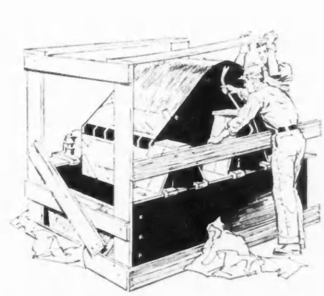
Standard Oil of Indiana. Total income reached the enormous figure of $1.5 billion in 1951, a gain of about $240 million since 1950. Net earnings advanced to $148.7 million from $123.5 million. Re-

(*Please turn to page* 118)

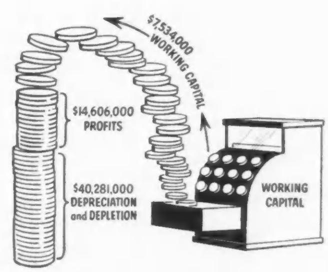
How you can make a profit of $27,295,971 and go in the hole!



1. According to our accountants, Union Oil made a net profit during 1951 of $27,295,971. If this bookkeeping profit represented the company's actual "take" our 38,347 common share owners would be overjoyed. But after paying dividends of $11,444,259, we actually ended up on the minus side of the ledger to the sum of $7,534,000 in working capital.

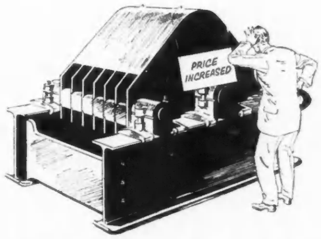


2. Here's the reason: In 1951 we had to spend $62,421,000 for replacement of worn-out equipment and oil properties and to enlarge our facilities to meet the greatly increased demand in the West for petroleum products. This money came from three sources.



3. $40,281,000 of it came from the "depreciation and depletion" allowance. (The sums a corporation sets aside each year to replace equipment and oil properties when they're worn out.) $14,606,000 of it was made up out of profits. $7,534,000 of it was taken from working capital—the "checking account" a business keeps on hand for day-to-day expenditures.

4. We obviously can't keep dipping into our working capital indefinitely and stay in business. For if we do we'll eventually run out of money to carry our receivables, inventories, etc., and pay our daily operating expenses. That's why something has to be done about a situation that affects not only us but every U. S. corporation.



5. Briefly it is this: The sums the tax collector allows you to set aside for depreciation and depletion are based on what things cost *when you acquired them*—not what it costs to *replace them today*. Since these depreciation funds aren't adequate to replace equipment and oil properties at today's prices, we have to make up the difference somewhere—or go out of business.

6. On top of this, extremely heavy taxes on corporate earnings make it almost impossible to retain enough profits to make up the difference. So we have to take it from working capital. That's why we must have a tax policy that will permit corporations to earn enough for the replacement and expansion necessary to maintain the productivity and economic growth of the nation.

UNION OIL COMPANY
OF CALIFORNIA

INCORPORATED IN CALIFORNIA, OCTOBER 17, 1890

This series, sponsored by the people of Union Oil Company, is dedicated to a discussion of how and why American business functions. We hope you'll feel free to send in any suggestions or criticisms you have to offer. Write: The President, Union Oil Company, Union Oil Building, Los Angeles 17, Calif.

Manufacturers of Royal Triton, the amazing purple motor oil

21 Companies With Record-Breaking Earnings

(*Continued from page* 116)

tained earnings were $103.7 million against $82.3 million in 1950. As the dominant refiner and marketer in the Middle West, the company is in a strong position, and the increasing production of crude oil and natural gas is an important factor. The outlook for the balance of the year seems promising. At current prices of about 88, the yield is about 3%, without reference to the stock dividend paid last year. While a sound holding for long-range purposes, it has an appreciable advance in the past year.

Texas Company. Along with the other major oil companies, Texas Co. broke all records last year, with gross income at about $1.5 billion against $1.3 billion the previous year. After taxes which amounted to $4.42 a share, net earnings in 1951 were $6.50 a share compared with $5.41 a share the previous year. It is expected that earnings for 1952 will be about on a par with 1951. At current prices of 57, the yield is about 4.7% on the basis of the $2.70 dividend. While among the best of the oil issues, the stock is close to its high of the past two years and has lost part of its essential attractiveness from the standpoint of profit possibilities. The same, of course, is true of most of the other oil stocks which have had large advances.

United States Rubber. Both sales and net earnings made new records in 1951. Sales amounted to $837 million against $695 million the previous year. This produced net earnings per share of $14.29 against $11.04 the previous year, this despite an increase in federal taxes of about $40 million which alone amounted to almost $23 a share. The record is particularly significant in view of the reduction in production of new cars, under government restrictions. While costs are higher, the operating margin has increased. Expectations are that the company will be able to duplicate 1951 earnings this year. At current prices of about 82, the yield is 8%. The stock shortly will be split on what amounts to a 3-for-1 basis. On a comparative basis, the stock has not advanced quite as much as the other leading tires.

STANDARD OIL [INDIANA]

and Subsidiaries

Report New All-Time Highs

One billion and 76 million dollars expended since January 1, 1946, by the Standard Oil Company (Indiana) and its subsidiaries on a long-range expansion program coupled with maximum use of facilities during 1951 resulted in a new record in sales and earnings. This is a continuation of the trend which has made the company's growth in the last ten years the most rapid for any decade in its history. Comparing 1951 with 1941, many significant Company figures have more than doubled. *Net production has increased 145%; pipeline transportation 154%; refinery runs 67%; volume of products sold 76%; total assets 124%.* Most of these gains exceed the average for the industry as a whole. They again justify the vigorous and extensive expansion program.

SALES IN 1951 TOTALED $1,499,000,000 compared with $1,268,000,000 in 1950, highest previous year. Petroleum product prices continued to average slightly below 1948 levels. The volume of product sales was up 10% over the previous year, and almost every piece of refinery and transportation equipment was used to capacity.

NET EARNINGS FOR 1951 WERE $148,697,356 or $9.71 per share despite higher taxes which totaled $130,435,000 or $8.51 per share. Earnings were higher than in any previous year, and compare with $123,581,477 or $8.09 per share in 1950, and $102,668,228 or $6.72 per share in 1949.

CAPITAL EXPENDITURES for 1951, as anticipated, showed a sharp increase, totaling $183,064,000 as compared with $127,439,000 in 1950. More than half of this amount went for production, mainly for buying leases and drilling wells. Expenditures for 1952 are expected to be substantially higher than during 1951, but will depend to a considerable extent on the availability of steel and other materials.

TOTAL ASSETS at the end of 1951 were $1,801,000,000 compared with $1,640,000,000 for 1950, and represented an increase of 124% over 1941. This increase was due largely to continued investment in facilities for production and for manufacturing, transportation, and marketing.

EMPLOYEES AT THE END OF 1951 numbered 49,740, or 3,000 more than at the end of 1950. Employee earnings and benefits were higher than ever before. The company's new Savings and Stock Bonus Plan brought the number of employee-stockholders to over 24,000 this year.

NUMBER OF STOCKHOLDERS totaled 116,800 on December 31, 1951. No institutional stockholder owned so much as 4% of the stock, and no individual owned so much as 1%. Dividends were paid in 1951 for the 58th consecutive year. Again this year, as in the past, re-investment of profits has increased the equity of stockholders' ownership.

CONSOLIDATED STATEMENT OF INCOME AND EXPENSES

And Summary of Earnings Retained and Invested in the Business for the years 1951 and 1950

	1951	1950
Sales and operating revenues	$1,539,119,806	$1,302,990,269
Dividends, interest, and other income	19,927,173	15,192,867
Total income	$1,559,046,979	$1,318,183,136
DEDUCT:		
Materials used, salaries and wages, operating and general expenses other than those shown below	$1,180,806,361	$1,011,500,231
Depreciation, depletion, and amortization of properties—		
Depreciation	51,122,254	48,661,531
Depletion, amortization of drilling and development costs, and loss on retirements and abandonments	35,849,657	33,999,917
Federal income and excess profits taxes	91,703,000	54,129,000
Other taxes (exclusive of taxes amounting to $205,883,340 in 1951 and $183,196,467 in 1950 collected from customers for government agencies)	38,731,649	33,891,115
Interest paid	6,102,700	6,898,072
Minority stockholders' interest in net earnings of subsidiaries	6,034,002	5,521,793
Total deductions	$1,410,349,623	$1,194,601,659
Net earnings	$ 148,697,356	$ 123,581,477
Dividends paid by Standard Oil Company (Indiana)—		
Regular dividends paid wholly in cash —$2.25 per share in 1951 and $2 in 1950	$ 34,436,449	$ 30,563,032
Extra dividends paid in capital stock of Standard Oil Company (New Jersey) —339,160 shares in 1951 and 165,325 shares in 1950 at average carrying value—together with equalizing cash payments in lieu of fractional shares. Market values on dates of distribution were equivalent to $1.7037 in 1951 and $1.1353 in 1950 per share on Standard Oil Company (Indiana) stock	10,563,892	10,643,939
Total dividends paid	$ 45,000,341	$ 41,206,971
Balance of earnings retained	$ 103,697,015	$ 82,374,506
Earnings retained and invested in the business at beginning of year	669,562,973	587,188,467
Earnings retained and invested in the business at end of year	$ 773,259,988*	$ 669,562,973

*Including $197,000,000 restricted by terms of debenture and bank-loan agreements of subsidiary companies and about $37,300,000 of earnings of pipeline subsidiaries segregated under provisions of Consent Decree in Elkins Act suit.

THE STORY IN FIGURES

	1951	1950	1949
FINANCIAL			
Total income	$1,559,000,000	$1,318,000,000	$1,170,000,000
Net earnings	148,700,000	123,580,000	102,670,000
Net earnings per share	$9.71	$8.09	$6.72
Dividends paid	$ 45,000,000	$ 41,210,000	$ 38,050,000
Dividends paid per share	$3.954*	$3.135*	$2.687*

*Including $1.704, $1.135, and $0.687 as the market values on September 14, 1951, December 11, 1950, and December 12, 1949, respectively, of the dividends in capital stock of Standard Oil Company (New Jersey).

	1951	1950	1949
Earnings retained in the business	$ 103,700,000	$ 82,370,000	$ 64,620,000
Capital expenditures	$ 183,100,000	$ 127,400,000	$ 134,700,000
Net worth, at the year end	$1,272,000,000	$1,166,000,000	$1,083,000,000
Book value per share, at the year end	$83.00	$76.27	$70.88
PRODUCTION			
Crude oil and natural gas liquids, produced, net, barrels	94,990,000	78,130,000	71,100,000
Oil wells owned, net, at the year end	9,043	8,724	8,440
Gas wells owned, net, at the year end	1,106	945	807
MANUFACTURING			
Crude oil run at refineries, barrels	187,600,000	168,700,000	150,000,000
Crude running capacity, at year end, barrels per day	548,000	499,500	472,300
MARKETING			
Total sales in dollars	$1,499,000,000	$1,268,000,000	$1,125,000,000
Bulk plants operated, at the year end	4,528	4,521	4,511
Retail outlets served, at the year end	31,130	31,020	30,870
TRANSPORTATION			
Pipelines owned, at the year end, miles	16,180	15,440	15,400
Pipeline traffic, million barrel miles	140,600	129,200	117,100
Tanker and barge traffic, million barrel miles	99,510	102,400	97,590
PEOPLE			
Stockholders, at the year end	116,800	96,090	96,810
Employees, at the year end	49,740	46,740	46,740

. . . Copies of the 1951 Annual Report available on request as long as the supply lasts. Write Standard Oil Company, 910 S. Michigan Ave., Chicago 80, Ill.

The Chemicals— A Study of Individual Company Potentials

(*Continued from page* 91)

industries. Hence, the willingness of investors to be content with smaller dividends and with a high price-earnings ratio.

Ordinarily, the prospects of overproduction and price-cutting would be interpreted as an adverse economic development, but in the case of chemicals there are reassuring circumstances. Attention may be called, for example, to numerous new products that have been kept on laboratory "shelves" because of the scarcity of raw materials. As production expands and certain intermediate chemicals become abundant, aggressive manufacturers may be expected to "take the wraps" off new products and introduce them to the public. Virtually all major producers, for example, have new lines available which can be put into production on comparatively short notice as raw materials become sufficiently plentiful.

Promising Year Begun for Air Reduction

In rounding out this discussion, it may be appropriate to present brief comments on several individual chemical companies. Air Reduction, one of the few which has not participated to any appreciable extent in the group's rise, is dependent largely on industrial activity. Under the circumstances, the outlook this year is promising. Net profit this year should come close to duplicating the 1951 showing of $2.69 a share.

Allied Chemical & Dye, a leading producer of heavy chemicals, has been diversifying operations with the result that new markets are being tapped. Sales rose some 23 per cent last year and should maintain an uptrend this year. Higher taxes may hold down earnings below last year's $4.58 a share. The indicated $2.40 annual rate appears safe.

American Cyanamid has registered impressive gains in diversification, especially in pharmaceuticals and the result has been reflected in a sharp rise in earning power. A further dip in earnings this year seems possible in reflecting reduced demand for textile chemicals. The indicated $4 annual dividend seems likely to be covered by an adequate margin.

Columbian Carbon has experienced steady growth in serving the rubber industry and has strengthened its competitive position in development of new sources of natural gas. Recent strength in the shares is attributed to confidence in 1952 prospects.

Dow Chemical has felt some slackening in demand for materials going into plastics, but earnings for the fiscal year ending May 31 are expected to approximate $5 a share, compared with $5.99 a share last year. Larger plant capacity should permit maintenance of a high sales volume. Modest stock dividends are expected to supplement the regular $2.40 annual cash rate.

Textile Recession A DuPont Problem

Reduced demand for textiles presents a handicap for duPont this year, but expansion in industrial chemicals should prevent a serious decline. Net profit may fall somewhat short of last year's $4.64 a share and the dividend may not quite reach 1951 disbursements of $3.55 a share. Possibility of a distribution of holdings of General Motors shares appears to have been dropped.

Freeport Sulphur and Texas Gulf Sulphur appear destined to fare well this year and earnings may come close to duplicating 1951 results of $2.63 and $7.62 a share, respectively. Managements have been committed to a liberal dividend policy.

With farm income expected to hold up, manufacturers of agricultural chemicals, such as American Agricultural, Davison, International Minerals & Chemical and Virginia-Carolina, may be able to maintain sales volume at a relatively satisfactory level.

Mathieson, Monsanto, Commercial Solvents, Pittsburgh Coke & Chemical and Union Carbide & Carbon seem likely to experience only moderately lower sales and earnings this year. (Mathieson is described separately in the article "21 Companies With Record-Breaking Earnings" elsewhere in this issue.)

The Hypodermic of New Installment Credits

(*Continued from page* 87)

proportionately. Automobiles include insurance, generally, and this would not go down in price. Hence an automobile debt which could be serviced for $100 a month today would require $80 a month, certainly $77.50, if the payment period were stretched six months. This is not enough to make a buyer of a non-buyer, even if other things were equal. It might cause some upgrading of purchases and help dealers move some used cars. That is, the man in the market today for a 1946 model will find he can swing a 1950, and the man seeking a 1950 may decide to plunge for a new car. In the household appliance field, the difference is sharper. Common practice is to charge a flat percentage of the balance as a fee for deferred payment, so that the monthly payments would be cut squarely in half. It is more than twice as easy to confront an extra $5 on the monthly light bill as an extra $10.

As far as the lender is concerned, these positions are reversed. Whereas appliance credit is provided by the merchant, the merchant's bank, or the manufacturer, automobile purchases in the greater number of cases are financed by companies which specialize in that sort of paper. Most of these have subsidiaries which provide casualty insurance for the purchased car during the period of payment. A principal cost to the finance companies is the acquisition of accounts. Spreading payments from 18 months to 24 will leave these costs virtually unchanged, and the same is true of the insurance writing. Another benefit will come from the lessened likelihood that buyers will find themselves so far behind that they will abandon cars to the dealers.

To sum up the situation, finance companies will tend to gain from what new automobile purchasing there is, and merchants may find lessened sales resistance from customers who are accustomed to putting appliance purchases on the light bill. But credit relaxation will do little to help either sellers or lenders find persons or households in need of their wares.

What Is Safe Limit For Government Spending?

(*Continued from page* 76)

continuing spending for defense will be large. Industrial production has risen more than 10 percent since the outbreak of war in Korea in June, 1950, and probably will rise further with the continued expansion of the defense program.

Washington already is looking ahead to the time when defense spending begins to slacken and is talking of a gigantic program of road building, public works, etc. to maintain industrial production at inflated levels. Although some degree of boom and recession always has been considered inherent in our economic system, it now seems to have become a matter of national pride never to permit business to recede. Our allies, so the theory goes, might be less inclined to go along with us if recession forced the United States to reduce its foreign aid programs. And, Russia could point to the recession and talk of the "capitalist crisis."

If we become committed now to the principle that large continuing budgetary deficits are inevitable, we might as well throw in the sponge and have it over with. If we win, we still lose. Some type of state socialism will have to be adopted in an effort to maintain an inflated rate of productivity since our present economic system will be unable to endure the increasing tax burden and maintain its vigor at the same time. Is it to this end that we are combatting communism?

Expense Cut Essential

The situation isn't hopeless, however.

First, we must—in the absence of global war—reduce Federal spending to balance with income. In the absence of any more scientific formula, we could apply a 17 percent cut across the board to bring estimated 1953 expenditures down to estimated income of $71 billion. That would reduce the military from $51.2 to $42.5 billion. It might make more sense to reduce the military appropriation even further, to about the level of the current fiscal year.

It is very doubtful, indeed, if there would be any appreciable slackening of the defense effort. There is so much water in the defense program that the dehydrated product would produce about the same result. We just cannot afford the frills, wastefulness, and carelessness that abound wherever the services are concerned.

If knocking a few billion dollars off the estimated spending for foreign military and economic aid results in losing the affection of some of our allies, it is just as well that we know now—rather than when the going gets really tough —just who our friends are.

Paring back government expenditures might eliminate some of the false buoyancy from the cur- nt economic situation. That l hurt, but it would be a lot less painful to take a minor setback now than to attempt to post-

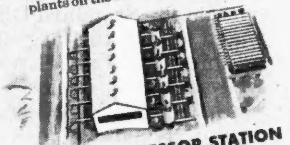
(*Please turn to page* 124)

Meeting the needs of 2,520,211 Customers

P. G. and E., in an area of 89,000 square miles, comprising 46 of California's 58 counties, serves one-half of California's present population. In 1951, the Company added [illegible]4,001 new customers, the largest number ever connected in a single year.

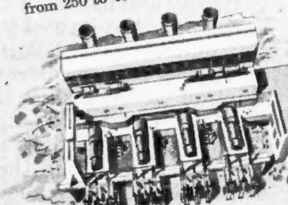
BEAR RIVER PROJECT

This rock-fill dam under construction, is part of Bear River project. Water stored will operate a new hydro-generating unit and increase output of existing plants on the Mokelumne River.



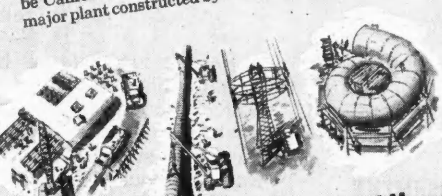
TOPOCK COMPRESSOR STATION

One of three new stations completed on the Topock-Milpitas gas transmission line in 1951. This made possible an increase in deliveries of out-of-state gas from 250 to 400 million cu. ft. per day.



600,000 KW STEAM ELECTRIC PLANT

When completed in 1954, this Pittsburg plant will be California's largest power plant. The eleventh major plant constructed by P. G. and E. since 1945.



A BILLION DOLLAR PROGRAM

To meet the needs of California's growing population, P. G. and E. has spent over $800,000,000 to date on a post-war construction program. By 1953 the Company's construction expenditures will have exceeded one billion dollars—the largest program ever undertaken by any similar utility in the United States.

PG&E 1951 Annual Report Highlights

GROSS OPERATING REVENUES advanced to a new peak of $279,499,000. The increase over the previous year was $42,061,000, or 17.7%, the largest annual gain in our history.

NEW RECORDS WERE ESTABLISHED for sales of both electricity and gas. Sales of electricity totaled 12,630,000,000 kilowatt-hours, and sales of gas 200,515,000,000 cubic feet, exceeding those of the preceding year by 14.4% and 16.1%, respectively.

SATISFACTORY PROGRESS was made on our construction program. $152,000,000 was spent on new and enlarged facilities to provide for rapid growth of business in our service area.

OWNERSHIP OF THE COMPANY was further broadened by an increase of 17,965 stockholders. At the end of the year the Company had 188,463 stockholders of record.

HIGHER GAS RATES totaling $17,535,000 on an annual basis were approved by the California Public Utilities Commission to compensate the Company for higher costs and taxes associated with this branch of our operations.

APPLICATION FOR AUTHORITY to increase electric rates $37,650,000 annually was filed with the Commission in July. An early decision should be forthcoming.

NET EARNINGS for the common stock were $2.14 per share based on average number of shares outstanding, compared with $2.62 per share in the previous year. It is expected that rate increases already granted or applied for will restore earnings to more satisfactory levels.

President

Pacific Gas & Electric Company

245 MARKET ST. • SAN FRANCISCO 6, CALIF.

A copy of our 1951 Annual Report to Stockholders will be supplied upon request to K. C. Christensen, Treasurer

What is Safe Limit for Government Spending?

(*Continued from page* 123)

pone it through continued deficit financing.

Numerous government economists, as a result of a combination of circumstances since the end of the war, actually are convinced that Washington has found how to avoid recessions and keep business rolling forever in high gear.

The panaceas, repeated doses of inflation, have worked because the whole world was in an inflationary situation during the earlier postwar period. Now that deflation is setting in throughout the world, the same panaceas — even though in bigger doses—are having no effect on the domestic price level and an almost imperceptible effect on national income.

Apparently, the world is in process of return to a saner commodity price level. That means lower levels of national income, regardless of Washington attempts to inflate income. Big and powerful as the United States is, it cannot buck a world trend as dynamic as a postwar deflationary process.

No one seems to have given much thought to what our Federal debt might look like at a somewhat lower income level. That, alone, is reason enough for starting now to reduce Federal spending.

Investment Audit of The Lorillard Co.

(*Continued from page* 94)

21-24. The indicated yield, based on the $1.50 a share dividend is 6.5%. This compares with a yield of about 6.5% for American Tobacco, 7.2% on Liggett & Myers, slightly under 6% for Reynolds and 6.3% for Philip Morris. It will be seen that with the exception of Liggett & Myers, Lorillard is appraised on the market on approximately the same basis as the rest of the leading cigarette manufacturers. With continuance of the dividend expected, the stock seems worthy of retention as a "business man's investment."

The Oil Industry In A Changing Economy

(*Continued from page* 101)

Utility Holding Company Act. The stock is one of the fabulous issues of the 1920s, when it reached the equivalent of 681 for the present stock, dropped to nearly 2, and then climbed back to 120 in 1951. Over the last four years the company has developed an earning power around $15 a share. While it formerly had a weak crude position, an active drilling campaign, plus the much stronger capital structure, has greatly improved the stock's status.

Continental Oil is one of the strongest of the integrated oils. The company has been built up largely out of earnings and has a very small funded debt. However, this is reflected in the low yield and high price-earnings ratio.

Gulf Oil, developed by the Mellon family, shares the distinction with Texas of being the largest outside the Standard Oil group. It ranks among the largest crude oil producers and refiners and has a well-balanced capital structure. With relatively stable earnings and dividends, it has for years sold on a conservative investment basis.

Humble Oil is 72% owned by Standard Oil of New Jersey. Crude oil and natural gas reserves are among the largest as are also its undeveloped holdings. This stock also sells relatively high in relation to earnings and dividends.

Mid-Continent Petroleum has no funded debt, and the stock offers a fair yield (about 5.5%). The company's active development program should aid the production status (earnings in the past have been too much affected by price changes in refined products).

Phillips Petroleum has had a remarkable growth record, revenues increasing ten-fold in the past two decades. Share earnings have also showed consistent gains and the stock has achieved investment status. It is particularly strong in natural gas reserves, controlling about 7% of U. S. natural gas reserves.

Pure Oil has had an excellent record of increasing share earnings and dividends and the stock increased from 7 to nearly 70 in

(*Please turn to page* 126)

BRIDGEPORT BRASS

reports for 1951

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FACTS AT A GLANCE

	1951	1950
Sales	$101,711,000	$ 91,864,000
Profit before federal taxes on income	10,706,000	8,069,000
Federal income & excess profits taxes	7,400,000	4,100,000
Net income after taxes	$ 3,306,000	$ 3,969,000
Distributed to stockholders as dividends	1,466,000	1,007,000
Retained in the business	1,840,000	2,962,000
Net Income	$ 3,306,000	$ 3,969,000
Earnings per Common Share	$ 3.45	$ 4.14
Dividends per Common Share	$ 1.50	$ 1.00
Total number of Common Stockholders	8,312	7,800
Book value per Common Share	$24.64	$22.69

BRASS "Bridgeport" CO.

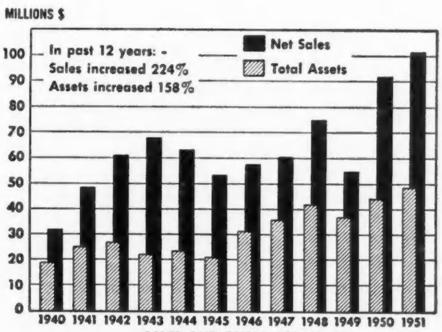
WHAT WE MAKE

BRASS MILL PRODUCTS

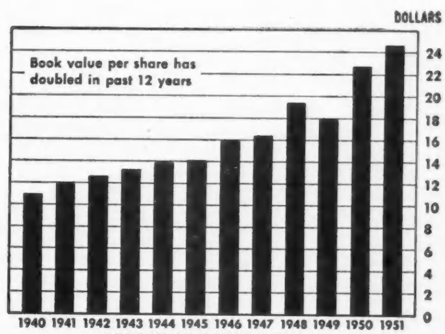
Brass and Copper Strip
Brass Rod
Duronze Rod
Brass Wire
Copper and Brass Tube for Plumbing
Condenser Tubes
Brass Tubing
Copper Tubing

MANUFACTURED PRODUCTS

Automobile Tire Valves
Tubular Plumbing Goods
Aer-a-sol Insecticide
Good-aire
Contract Parts



SALES AND TOTAL ASSETS



BOOK VALUE COMMON STOCK

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BRIDGEPORT BRASS COMPANY

BRIDGEPORT, CONNECTICUT

The Oil Industry In a Changing Economy

(*Continued from page* 124)

the past decade. The company is a medium-sized but complete oil unit, with reserves of over half-a-billion barrels.

Richfield Oil, a California company, is controlled by Sinclair and Cities Service, which together own 62% of the stock. Share earnings and dividends have shown unusual gains in recent years and the stock has advanced accordingly.

Shell Oil is among the six largest producers and refiners, and also has large marketing facilities. The company has conservative accounting methods and has enjoyed good growth.

Skelly is relatively small but well-integrated, with large crude reserves. It has shown phenomenal growth, the stock advancing from 7/8 in 1932 to 102 recently.

Socony has enjoyed good but not sensational growth. In recent years the stock has gotten out of the lower-price range but it still affords a relatively good yield around 5%. The company has big interests in Iraq, Arabia, Dutch East Indies and Venezuela, plus huge domestic oil and gas reserves. Dividends have remained conservative.

Standard Oil of California is the leading Pacific Coast unit, with a sound record. It also has large interests in the middle east, the value of which are not fully reflected in the income account and balance sheet.

Standard Oil of New Jersey is the dominant leader both here and abroad. Growth in both gross and net over the past decade has been substantial, and share earnings have increased from $1.40 to an estimated $9. Considering its high calibre, the stock offers an excellent yield (about 5.4% if last year's extras be included in the calculation).

Standard Oil of Ohio (Sohio) has enjoyed about average growth. Finances are sound and dividends conservative. Earnings were somewhat irregular during the 1930s and during the World War, but have since shown excellent growth.

Sun Oil, controlled by the Pew family in Philadelphia (the board contains seven members of the family) has a strong capitalization. Dividends have been very low in relation to earnings, making the issue a rich man's stock.

Sunray Oil is one of the smaller companies with extremely rapid growth, partially obtained through mergers, such as one with Barnsdall. It is somewhat of a "leverage" issue. The earnings record was poor until recent years, but has shown sharp improvement in the postwar period. The amount of funded debt and preferred stock seems somewhat high in relation to assets.

Tidewater Associated Oil, with no long-term debt, is 50% controlled by the Getty interests. Earnings growth has been good, but slowed perhaps by lack of capital leverage. The company is strengthening its crude oil position.

Union Oil of California is the second largest factor on the Pacific Coast, with crude production supplying about 70% of refinery requirements. The postwar earnings record has been good, and dividends have been paid since 1916.

(Four of the major oil companies are also discussed in this issue under the heading "21 Companies With Record-Breaking Earnings." That article begins on page 77.)

Answers to Inquiries

(*Continued from page* 112)

from the $33,973,817 reported in 1950.

1951 earnings before taxes were $2,453,826 or 8% of net sales as compared with 1950 earnings, before taxes, of $2,879,602 or 8.5% of that year's net sales. Federal and State taxes took a much larger percentage of earnings than in previous years. During 1951, such taxes amounted to $1,446,000 or 59% of earnings, while in the preceding year they totalled $1,391,000 or 48% of earnings.

After deducting the higher taxes, net profit amounted to $1,007,326, equal to $1.80 per share on 559,200 shares outstanding. This compares with net profit of $1,488,547 or $2.66 per share on the same number of shares in the preceding year. The stock is listed on the New York Stock Exchange.

At the close of 1951, the company had defense contracts on hand amounting to approximately $3,500,000.

Allen Industries plans to put its new Herrin, Illinois plant into operation by the summer. This new plant is expected to be completed this spring. In addition to housing certain important civilian goods operations, this new factory should provide the company with expanded facilities for the Government's defense program.

Dividends in 1951 totalled 80 cents per share and 20 cents is the current quarterly rate.

Anaconda Wire & Cable Company

"How is Anaconda Wire & Cable Co. affected by government controls of copper? Please describe the financial position and dividend record."

E. H. N., Syracuse, N. Y.

Company is a leading fabricator of copper wire, cable and similar products and is controlled by Anaconda Copper Mining Co., with 70.63% of the 843,962 shares. 7 Plants are owned with an annual capacity of 450 million lbs. of wire, cable and rods.

(*Please turn to page* 128)

Answers to Inquiries

(*Continued from page* 126)

Normally subject to price fluctuations in copper, the company has been free of this problem and will continue to be so under present government control of the metal. Present tightness in supplies will probably commence to be ameliorated in coming months, placing the company in a more secure position as to supplies. Demand for fabricated products continues on a large scale. The company not only supplies the needs of defense-stimulated industries but is benefiting from increased sales to the utility industry, whose construction activities are increasing year by year. Despite higher taxes, company has maintained excellent earnings in 1950-51, with $6.24 a share for the former, and $6.50 a share estimated for 1951. Earnings should be maintained on this basis in 1952, especially if metal supplies should improve toward the end of the year. The company should be free of wage problems, with the settlement of the wage dispute last December. Finances are strong, with cash and securities alone (1950) almost $5 million in excess of current liabilities of nearly $11 million. Net working capital is about $33 million, compared with about half this amount a decade ago. This is equivalent to about $40 a share on the stock. In the four years 1948-1951, it paid dividends amounting to $13.75 a share, compared with earnings of about $25.50 a share. There are no bonds or other senior obligations outstanding.

The company has had a good dividend record since 1940, having paid dividends in varying amounts in each year. The present rate is 75 cents quarterly, with a $1.75 year-end payment last December. At the end of 1947, the stock was split two-for-one.

United Engineering & Foundry Company

"As a subscriber I would appreciate information on United Engineering & Foundry Company. What is the principal nature of the business and how were last year's earnings, working capital position and backlog of orders?"
D. W., Harrisburg, Pa.

United Engineering and Foundry Company reported net sales in 1951 amounted to $67,388,758, an increase of $527,999 or .79% over the previous all-time high reported in 1950.

Net income amounted to $3,845,710, a decrease of 27.4% from the $5,298,884 earned in the previous year. This decrease in net income from the previous year was due to higher costs of production, resulting from increased labor benefits and material costs, and to increased income and excess profit tax rates. After preferred dividends of $7.00 per share and provisions for taxes, the company's net income for 1951 was equal to $4.62 per common share as compared with $6.39 in 1950.

Dividends aggregating $3.50 per common share were paid in 1951. In 1950, $4.00 per common share was paid. The company's dividend record has been unbroken since its beginning in 1901. A 75 cent dividend was paid in the first quarter of 1952.

Net working capital as of December 31, 1951, was $12,359,368 as compared with $11,729,182 in 1950. During the year 1951 the company paid $27,404,615 in wages and salaries, $1,115,647 to a retirement plan and $808,173 for group insurance, federal old

(*Please turn to page* 130)

BROOKLYN UNION HAD A BUSY YEAR!

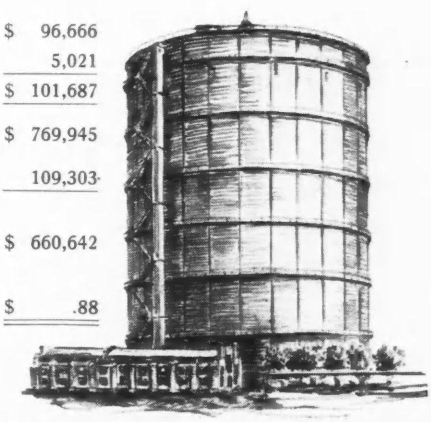
1951 was a year of planning for the introduction of natural gas to the Brooklyn Union area of Brooklyn and Queens. We are glad to report that this largest conversion program in the world is now in full swing and proceeding very smoothly. Some inconvenience for gas customers is inevitable, but the public has been most co-operative and patient and the tremendous job is being done with efficiency and dispatch.

• ***You may have a copy of Brooklyn Union's complete Annual Report from our Main Office or by writing the Secretary of the company.***

STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1951 AND 1950

	1951	1950	Variation
OPERATING REVENUES:			
Sales of gas	$43,885,163	$42,241,064	$1,644,099
Other gas revenues	98,140	1,297	96,843
Total Operating Revenues	$43,983,303	$42,242,361	$1,740,942
OPERATING EXPENSES:			
Operation	$24,387,610	$25,483,070	$1,095,460
Maintenance	3,489,923	3,460,546	29,377
Provision for depreciation	2,113,483	2,022,076	91,407
Federal income taxes (no excess profits tax payable)	3,520,000	2,051,600	1,468,400
Other taxes	5,165,055	4,789,469	375,586
Total Operating Expenses	$38,676,071	$37,806,761	$ 869,310
Operating Income	$ 5,307,232	$ 4,435,600	$ 871,632
INTEREST AND OTHER DEDUCTIONS:			
Interest on long-term debt	$ 1,501,100	$ 1,404,434	$ 96,666
Other—net	98,122	93,101	5,021
Total Interest and Other Deductions	$ 1,599,222	$ 1,497,535	$ 101,687
NET INCOME	$ 3,708,010	$ 2,938,065	$ 769,945
DIVIDENDS ON PREFERRED STOCK	366,333	257,030	109,303
NET INCOME AFTER DIVIDENDS ON PREFERRED STOCK	$ 3,341,677	$ 2,681,035	$ 660,642
PER AVERAGE SHARE OF COMMON STOCK OUTSTANDING	$ 4.48	$ 3.60	$ .88



THE BROOKLYN UNION GAS COMPANY

176 REMSEN ST., BROOKLYN 2, N. Y. • TRiangle 5-7500

Answers to Inquiries

(*Continued from page* 128)

age benefits, and unemployment insurance.

Although the business of the company is devoted largely to the design and construction of rolling mills and related equipment, its scope, through three wholly-owned subsidiaries, includes construction of equipment for the manufacture of paper, rubber, and plastic, and machinery used by various industries for crushing, grinding, pulverizing and mixing. All subsidiaries entered 1952 with a satisfactory volume of business on their books and excellent sales prospects for the year ahead.

United Engineering and Foundry Company had a backlog of $111 million dollars of uncompleted sales carried over into 1952. This is the highest in its history and compares with a backlog of $62,000,000 carried over from 1950 to 1951.

Barring material shortages or inadequate manpower, sales for 1952 are expected to be good.

The Trend of Events

(*Continued from page* 70)

brought out by industrial purchasing executives is that the actual rate of defense production for most companies is far less than is commonly considered to be the case. For example, 59% of these officials have reported that their present defense production is only 5% of that attained at the peak of World War II; 25% have 5% to 20%, and 16% have about 20% or more of their facilities tied up in defense orders.

Obviously, direct defense orders are playing a far smaller part in the operations of the average industrial corporation than is generally understood. Under these circumstances, it may be asked why such an enormous machine for controls has been set up by the government if, as seems to be the case, actual production does not require it. Certainly, the officials in Washington entrusted with the various phases of control cannot claim that they are having a great success. All that seems to have happened, in spite

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SAFEWAY STORES
INCORPORATED

1951 1950 RECORD

	1951	1950
Sales	$1,454,642,996	$1,209,993,762
Income from dividends, interest and other sources	780,358	125,292
Cost of merchandise, manufacturing and warehousing	1,253,692,213	1,033,677,866
Total operating and administrative expenses	194,115,290	161,723,887
Net Income	7,615,851	14,717,301
Dividends to preferred stockholders	1,237,534	1,036,733
Net Profit applicable to common stock	6,378,317	13,680,568
Net Profit Per Share of Common Stock	2.26	5.20
Dividends to common stockholders	6,786,488	6,400,897
Dividends per share to common stockholders	2.40	2.40
Number of new stores opened during the year	262	70
Number of stores closed during the year	209	164
Number of stores in operation at end of year	2,125	2,072

15-YEAR DIVIDEND RECORD

1937	$ .83*	1944	$1.00
1938	.67	1945	1.00
1939	1.50*	1946	1.00
1940	1.17	1947	1.00
1941	1.17	1948	1.00
1942	1.00	1949	1.25
1943	1.00	1950	2.40
		1951	2.40

*Paid in part in five percent preferred stock

Net Sales, Earnings and Income

Safeway Stores, Incorporated, 1951 Net Sales were the highest in the history of the Company, totaling $1,454,642,996, an increase of $244,649,234 or 20% over 1950.

Net earnings after deducting all costs and taxes were lower than in 1950. This was due to (1) Federal price controls affecting the entire food industry (2) property loss of $774,768 suffered in the 1951 Kansas City flood.

Net income, after all charges and property loss, was $7,615,851 for 1951 as compared with $14,717,301 in 1950.

Cash dividends were paid on the common stock at the rate of $2.40 per share on 2,827,703 shares, the average number outstanding during the year.

Balance Sheet Information

On December 31, 1951, Safeway and subsidiaries had aggregate net assets of $113,821,747, total current assets of $239,921,849 and total current liabilities of $172,667,846.

The ratio of current assets to current liabilities was 1.39 to 1.

Government Price Regulation

The food industry has suffered severely as a result of unfair and inequitable price control administration. This has been particularly true of integrated chain retailers such as Safeway.

A recent survey covering 32 chains doing approximately 15% of the total United States retail grocery business showed for the third quarter of 1951, as compared with the third quarter of 1950, that combined profits before taxes were down 59%; that dollar profits after taxes declined from $15,273,229 to $4,967,004 and that the rate of profit after taxes declined from normal to approximately $1.50 per $100 of sales to 41c per $100 of sales. Six of the concerns involved suffered actual net operating losses in the third quarter of 1951.

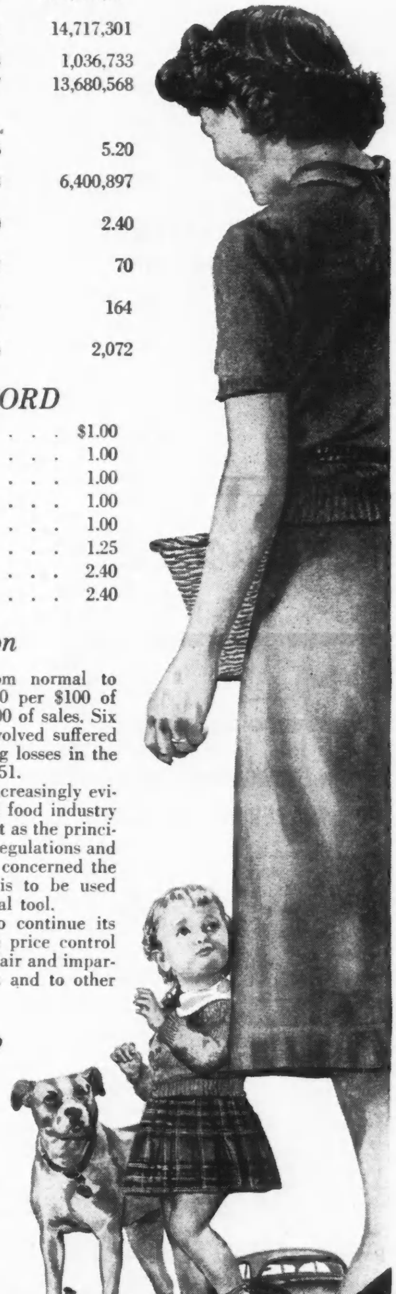
It is becoming increasingly evident that the retail food industry has been singled out as the principal victim of OPS regulations and that so far as it is concerned the price control law is to be used strictly as a political tool.

Safeway plans to continue its efforts to force the price control authorities to give fair and impartial treatment to it and to other food retailers.

Lingan A. Warren
President

SAFEWAY STORES
INCORPORATED

For copy of 1951 Annual Report, write Librarian, Safeway Stores, Incorporated, P.O. Box 660, Oakland 4, California



The Trend of Events

(*Continued from page* 130)

of all the hectic activity in Washington, is that normal operating conditions in many industries have been disrupted in too many cases without sufficient compensation for the nation in the shape of a really successful defense program.

Accelerated Amortization —Companies Which Have Received Certificates of Over $10 Million—

Of great interest to investors are the recently published figures on rapid amortization. These cover those companies which have received certificates of necessity of $10 million or more. The principal beneficiaries are the pipe line and natural gas companies but the steels were also heavily represented. The value to the companies, as our readers know from previously published articles on the subject, are the tax benefits for the permissible five-year period allowable under the law. Following are some of the more prominent companies which have received these certificates: (Information has been supplied by Dow-Jones)

Pipe Line Companies In the Lead

Fuel transmission companies received eight of the ten largest certificates of necessity issued by the Defense Production Administration in the two-week period ended March 20—during that period DPA handed out 564 certificates covering facilities involving a total proposed investment of 792, 758,000 DLS. (This abbreviation indicates dollars.)

Largest amount of fast amortization went to Truckline Gas Co., Houston, Tex.—DPA gave the company a certificate authorizing it a fast write-off on 25 per cent of 79,498,457 DLS—Truckline plans to build a pipeline for natural gasoline—in Texas.

The next four largest amounts went to the following pipeline operators:

Plantation Pipe Line Co., Atlanta, Ga.—25 per cent of 51,640,000 DLS.

Panhandle Eastern Pipe Line Co., Kansas City, Mo.—Two certificates permitting fast write-offs on 25 per cent of a total of 42,158,429 DLS.

West Texas Gulf Pipe Line Co., Pittsburgh, Pa.—25 per cent of 39,652,250 DLS.

Shell Pipe Line Corp., Houston, Tex.—25 per cent of 35,594,000 DLS.

General Motors Corp., three certificates allowing fast write-offs of 40 per cent and 65 per cent of portions of a total of 18,793,142 DLS —ordnance at Lockport, N. Y.—auxiliary Generators at Wayne, Mich., and airplanes at Arlington, Tex.

The Atlantic Refining Co., three certificates allowing fast write-offs on percentages ranging from 15 per cent to 90 per cent of a total of 29,688,180 DLS—Aviation Alkylate at Philadelphia and petroleum storage facilities at Rensselaer and Syracuse, N. Y.

Allegheny Ludlum Steel Corp., 50 per cent and 65 per cent of a total of 11, 180,000 DLS—silicon alloy and stainless steel sheet strip and plate at Leechburg and Breckenridge, Pa.

Write-Offs For U. S. Steel Corp.

United States Steel Corp., five certificates allowing fast write-offs on 60 per cent, 65 per cent and 85 per cent of a total of 16,162,200 DLS—alloy and stainless steel at Youngstown, Ohio—pig iron at Gary, Ind.—ingot molds at Braddock, Pa., and other facilities at Pittsburgh.

Inland Steel Co., four certificates allowing fast write-offs on 25 per cent and 50 per cent of a total of 19,967,285 DLS—facilities to produce structural steel and other steel products at Indiana Harbor, Ind.

Phillips Pipe Line Co., five certificates authorizing fast write-offs on 25 per cent and 40 per cent of a total of 24,728,210 DLS—petroleum storage at Kankakee, Ill., and pipeline service at Bartlesville, Okla., and Sweeny, Tex.

Miscellaneous Certificates

The Texas Pipe Line Co., 15 per cent, 20 per cent and 25 per cent of a total of 20,592,908 DLS—pipeline at Houston, Tex., and Terrebonne Parish, La.

New York, New Haven & Hartford Railroad Co., New Haven, Conn.—55 per cent, 60 per cent and 70 per cent of a total of 11,885,000 DLS rail transportation.

Southern Natural Gas Co., Birmingham, Ala.—25 per cent of 22,601,956 DLS—gas pipeline.

Bethlehem Mines Corp., Marmora, Ontario, Canada—70 per cent of 13,600,000 DLS—iron ore.

RICHFIELD REPORTS

15 Years of Operations

In its Annual Report To Stockholders for 1951, Richfield Oil Corporation reviewed its operations for the fifteen-year period since it commenced business on March 13, 1937, and concluded such review with the following:

"During the period under review the Corporation has paid or accrued for payment to the Federal Government approximately $62,500,000 in taxes on income, and has paid other direct taxes of $38,818,000; it has paid approximately $184,157,000 in wages, salaries and retirement benefits; and it has paid approximately $72,000,000 to its stockholders in dividends. Thus the Corporation has discharged its obligation as a citizen by paying a large proportion of its earnings to Government in taxes; it has kept abreast of the times in wages and employee benefits; and it has paid a reasonable return to its stockholders on their investment. Yet, because it has had left to put back into its business enough of its earnings to enable it to grow, it has always been able to do its full share of service to the Nation, in time of war by supplying high octane aviation gasolines, jet fuels and other special war products, and in time of peace by meeting the ever increasing demands for petroleum products at reasonable prices.

"The foregoing review has been made not because we desire to boast of Richfield's growth but because we believe that there is nothing of more vital importance to our stockholders, and to the millions of stockholders of other corporations, than that the system which enabled Richfield to make its growth be not undermined. It can be undermined, and even destroyed, by the tax collector.

"Since 1913 when the first Federal income tax law was enacted, the individual income tax rate has risen from 1% with a maximum rate of 7% on net income of $500,000 and over to a starting rate of 22.2% with a combined normal and surtax rate of 92% on taxable income of $200,000 and over. The corporate income tax rate has risen from 1% to a combined normal, surtax and excess profits maximum rate of 82%. The trend of rates is ever upward. Unless it is stopped, there will be no earnings, after taxes, to put back into the business, and no industrial growth for private enterprise in any line of endeavor either by corporations or by individuals. On the other hand, if the economic climate is kept such that earnings are available to finance additional productivity, Industry will go ever forward, building the strength of this Nation, toward invincibility from without and toward prosperity from within."

FINANCIAL DATA	1951	1950	1949	1948	1947	1946	Average Per Year 1941-45	Average Per Year 1937-40*
Sales and other operating revenue	$186,460,591	$154,945,678	$122,981,735	$118,770,868	$ 87,957,728	$ 68,855,011	$ 67,651,717	$ 43,045,818
Net income	$ 28,218,281	$ 23,046,379	$ 20,434,099	$ 16,751,475	$ 11,853,397	$ 7,062,276	$ 3,751,899	$ 2,590,693
Per share of capital stock	$7.05	$5.76	$5.11	$4.19	$2.96	$1.76	$ .94	$ .65
Dividends paid	$ 14,000,000	$ 12,000,000	$ 10,000,000	$ 8,000,000	$ 6,015,002	$ 3,208,000	$ 2,385,954	$ 1,840,101
Per share of capital stock	$3.50	$3.00	$2.50	$2.00	$1.50	$ .80	$ .60	$ .46
Income and other direct taxes	$ 32,710,120	$ 15,081,233	$ 8,996,739	$ 8,151,534	$ 6,614,103	$ 4,915,656	$ 3,573,988	$ 1,829,655
Gasoline and other refined oil taxes (excluded from sales)	$ 28,301,503	$ 24,417,739	$ 21,847,684	$ 19,743,264	$ 17,797,707	$ 15,478,778	$ 11,827,498	$ 12,534,994
Total of above taxes	$ 61,011,623	$ 39,498,972	$ 30,844,423	$ 27,894,798	$ 24,411,810	$ 20,394,434	$ 15,401,486	$ 14,364,649
Additions to and development of properties	$ 27,463,650	$ 28,529,654	$ 33,356,444	$ 23,703,013	$ 20,250,392	$ 12,169,468	$ 10,702,374	$ 8,476,372
Net current assets at year end	$ 61,685,893	$ 59,536,033	$ 64,663,772	$ 48,856,017	$ 28,724,322	$ 36,303,135	$ 28,816,346	$ 28,891,277
Long term debt at year end	$ 50,000,000	$ 50,000,000	$ 50,000,000	$ 25,000,000	$ 1,000,000	$ 1,182,916	$ 5,057,519	$ 8,835,583
Stockholders equity at year end	$137,526,132	$123,307,851	$112,261,472	$101,827,373	$ 93,075,898	$ 87,411,747	$ 82,013,537	$ 75,804,331
OPERATING DATA								
Number of net productive wells completed (including Corporation's share of joint wells)	94	140	144	85	26	45	35	37
Cost of dry holes	$ 2,296,448	$ 1,732,300	$ 2,795,984	$ 3,048,968	$ 2,168,640	$ 999,661	$ 1,333,496	$ 661,805
Production of crude oil – net barrels	21,401,000	16,953,000	12,983,000	9,072,000	9,485,000	8,978,000	7,735,000	5,633,000
Purchases of crude oil – barrels	25,777,000	22,742,000	20,387,000	18,040,000	16,735,000	15,839,000	15,417,000	11,755,000
Sales of crude oil – barrels	12,138,000	7,091,000	3,500,000	351,000	378,000	512,000	1,003,000	1,082,000
Crude oil processed at refineries – barrels	37,141,000	35,391,000	30,237,000	27,014,000	25,734,000	24,276,000	22,433,000	16,824,000
Sales of refined products – barrels	36,632,000	37,361,000	26,158,000	25,072,000	24,603,000	24,889,000	26,340,000	15,853,000
EMPLOYEES AND PAY ROLL								
Payroll and retirement benefits	$ 23,438,609	$ 20,823,341	$ 19,617,930	$ 17,842,161	$ 15,119,955	$ 12,759,735	$ 9,430,937	$ 7,195,387
Number of employees at year end	4,592	4,376	4,201	4,126	3,821	3,621	3,206	3,234

*Includes 9½ months of 1937.

Richfield

RICHFIELD

OIL CORPORATION

EXECUTIVE OFFICES: 555 SO. FLOWER STREET, LOS ANGELES 17, CALIFORNIA

We will be pleased to send you a copy of our 1951 Annual Report. Write: Secretary, Richfield Oil Corporation, 555 So. Flower St., Los Angeles 17, Calif.

As I See It!

(*Continued from page* 71)

Moreover, some of these strong men already realize that they can no longer do without popular support in their own countries. To survive, they become popular leaders against alleged Western imperialists and make an appeal to fanatical nationalism. Premier Mossadegh in Iran is a good example.

What can be done, then, to keep the Middle East from going the way of China? The West cannot afford to have this strategic area—meeting place of three continents—fall into the hands of communists. The West cannot afford to lose the tremendous petroleum resources of Iraq, Iran, and the Arab Peninsula. Without them the tanks and the planes of Western Europe may be crippled.

There is no neat formula. There is no straight answer. Under the circumstance, about the only thing the West can do is to strengthen its position from the military point of view by the bases in Greece, Turkey, Cyprus, and Libya, by keeping the Mediterranean open, by insuring the safety of the Suez Canal from the Nationalist fanatics in Egypt, and by giving strong support to such reliable nations as Turkey.

Second, Western policies in the Middle East must be made without regard to pressure groups, lobbies, or special interests, be they the Arab League, or Zionist organizations, oil companies, or just the black marketers and dealers in gold that infest every Middle-Eastern city.

Third, the handling of military aid and the handling of the construction of military roads, airdromes, and railways should be turned over to the U. S. Defense Department which should have power to dismiss anybody endangering security. This point was made recently by Mr. Nelson A. Rockefeller.

Fourth, condescension toward the Arab people must end. The Moslems are sensitive about their religion and their culture, and only if treated as equals will they respond to our views and accept them.

It is imperative that something be done to strengthen our position in the Middle East *now*, for *this year* is, militarily, *the critical year. The year* 1952 *is the year of the last chance for Russia's conquest.* Next year may be too late to attempt another Korea in the Middle East. Rearmament of the Western World will by that time have progressed to a point that the Kremlin will not dare to attack. Moreover, there is a chance, too, that the economic situation in Iraq and Syria and elsewhere in the Middle East will improve sufficiently to lessen the danger of another Armaggedon.

Truman's Stand Shadows Market

(*Continued from page* 73)

Congress on defense spending, and bears in mind that a new Administration will make the decisions after next January, there is no certainty that the previously projected spending rate will ever be reached.

Moscow, which knows there are more ways of skinning a cat than via global war, is waging its most formidable and plausible peace offensive, aimed at unifying Germany and detaching her from the Western orbit, while holding out the bait of more trade between East and West. This is balance-of-power diplomacy in communist self-interest, which might logically be made to look more impressive by a Russian-contrived armistice in Korea one of these days. It is a game to which our armaments, even if we had them, are not too promising an answer; and a game which the Truman Administration shows scant evidence of knowing how to play.

There is no big speculative position anywhere, except in Canadian cats and dogs; and the only thing conjectural about that is just when it will blow up. Our own market remains pretty much a selective, investment affair, supported by a satisfactory over-all business outlook for at least additional months to come, by 6% average dividend yields, and by a record total of individual and institutional funds needing employment, with more of the latter funds going into big-name common stocks than ever before.

With the more popular stock groups heretofore exploited or over-exploited, it is difficult to see

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Truman's Stand Shadows Market

(*Continued from page* 134)

where dynamic fresh upside leadership is to come from. Subject to the limitations thus imposed, the pay-off may well continue for some time to be more in selectivity than in general trend. The existing balance of factors continues to argue for fairly moderate two-way swings in the averages, as has been so for a long time, until deflationary developments loom closer.

All things considered, there is a stronger case than in a good many years for having substantially increased proportions of investment funds in high-grade fixed-income securities; for holding reasonably conservative liquid reserves; and for emphasizing either carefully appraised longer-term growth potentialities or dividend safety and yield—depending on your primary objectives—in making portfolio adjustments in equity holdings.—Monday, April 14.

BOOK REVIEWS

AMERICAN MONETARY POLICY

By E. A. GOLDENWEISER

The relationship of monetary policy to the stability and progress of our economy has become a matter of increasing concern to many thoughtful laymen. This review of American monetary policy and experience during the 36-year period since the establishment of the Federal Reserve System is timely. It explains how our central banking system operates and it discusses the objectives of monetary policy and how we have tried to implement them—successfully or unsuccessfully—in a period that embraced a war, a boom, a depression, and a second world war.

The author writes from the vantage point of his many years as Director of the Division of Research and Statistics, Federal Reserve Board. His appraisal therefore reflects a close knowledge of monetary policy applied, and not simply monetary theory.

He points up the principal policy decisions of the Federal Reserve, and their effects, describing the conditions under which they were formulated. Included is a discussion of the methods by which World War I and II were financed, and monetary action of the interwar and postwar years through the autumn of 1950. The influence of international monetary developments, especially in the decade after World War I, is related. The gradual development of monetary policy from concern primarily for an adequately elastic supply of money and bank liquidity to the maintenance of economic stability and an expanding economy is part of the author's review.

Of special interest is the analysis of Treasury and Federal Reserve responsibilities and objectives. Some improvements in the organization of the Federal Reserve Board are proposed.

McGRAW-HILL BOOK CO., INC. $4.50

MAJOR PROBLEMS OF UNITED STATES FOREIGN POLICY 1951-1952

This volume is the fifth in a series of annual volumes dealing with the foreign policy problems of the United States. *The third volume was selected by the American Political Science Association for the WILLKIE MEMORIAL AWARD as the best publication of 1949 in the field of international relations.* The *Major Problems* volumes, of which all editions are still available, are a part of the program of research and education in international relations that has been carried on since 1946 by the Brookings Institution's International Studies Group under the direction of Leo Pasvolsky.

Major Problems of United States Foreign Policy gives the reader a brief survey of the present world situation, outlining the character of international relations since the end of the war and the efforts of the major powers to coordinate these relations in the United Nations. An account is given of the fundamental objectives of the United States, Great Britain, and the Soviet Union. The major problems of foreign policy confronting the United States in midsummer 1951 are reviewed. Included in the new volume is a problem paper giving a detailed analysis of the problem of collective security under the United Nations General Assembly, developed in substantially the same way in which similar problems are dealt with by policy-making officials.

The new edition is illustrated with a dozen maps and charts. It contains selected references for each problem and a general bibliography.

THE BROOKINGS INSTITUTION $3.00

WHAT YOU SHOULD KNOW ABOUT ESTATE AND GIFT TAXES

By J. K. LASSER

This book will enable you to leave to your heirs the greatest possible portion of your property; it can also help you to keep "tax lightning" from striking your business.

By reading *What You Should Know About Estate and Gift Taxes*, you can better understand the relationship of estate and gift taxes to your life insurance, your real estate, your stocks and bonds, your mortgages, notes, and cash—so that you can plan more wisely for your family's security in the future.

J. K. Lasser, nationally known tax expert, has put into this invaluable handbook all the essential information required to understand every important aspect of the Federal Estate Tax and the Federal Gift Tax. It is a "must" book for businessmen, accountants, insurance agents, stock brokers, lawyers—and for *every property owner*.

Mr. Lasser's unique ability to make even the most complicated tax regulations and problems clear to laymen has never been more brilliantly demonstrated than in his clear and concise explanations of these highly complex taxes. In this practical volume he discusses and interprets all the salient features of the estate and gift taxes and tells you what you can do about them—to save yourself time, trouble, and money.

HENRY HOLT AND COMPANY $2.95

ADVENTURES IN TWO WORLDS

By DR. A. J. CRONIN

Adventures in Two Worlds, Dr. Cronin's first book of nonfiction, is a skilled fusion of his experiences in the fields of medicine and literature, told in the most exciting narrative form. The reminiscences of an active general practitioner are always fascinating and here, surely, are some of the strangest tales any doctor ever told. He relates a terrifying experience in an insane asylum when he almost lost his life at the hands of a madman whom he had tried to befriend. As ship's doctor on a voyage to India, he dealt with a smallpox epidemic among the crew while gaiety went unchecked among the first-class passengers. Every day in his memory seems crammed with extraordinary events and a vast variety of colorful people.

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